THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in CITIC Telecom International Holdings Limited, you should at once hand the Rights Issue Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Rights Issue Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Rights Issue Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix V to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance. The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid form on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid form will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in each of their nil-paid and fully-paid form on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. Dealings in the Shares and Rights Shares in their nil-paid form and fully-paid form may be settled through CCASS and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

This Prospectus is for information purposes only and shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale or purchase of securities in any jurisdictions which such offer, solicitation or sale would be unlawful. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the laws of any state or jurisdiction of the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the Securities Act and applicable state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the United States or to conduct a public offering of securities in the United States.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus come should inform themselves of and observe any such restrictions. This Prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States or any of the other Specified Territories. Shareholders with registered addresses in any of the Specified Territories and the Beneficial Owners who are residents of any of the Specified Territories are referred to the important information set out in the sections headed "Letter from the Board — Non-Qualifying Shareholders" and "Letter from the Board — Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" in the Prospectus.

中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

RIGHTS ISSUE OF RIGHTS SHARES AT THE SUBSCRIPTION PRICE OF HK$2.02 EACH ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY 8 EXISTING SHARES HELD ON THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE

Joint Financial Advisers to the Company

CITIC Securities Corporate Finance (HK) Limited

Standard Chartered Securities (Hong Kong) Limited

Joint Global Coordinators and Joint Underwriters of the Rights Issue

CITIC Securities Corporate Finance (HK) Limited

Standard Chartered Securities (Hong Kong) Limited

DBS Asia Capital Limited

Deutsche Bank AG, Hong Kong Branch

UBS AG, Hong Kong Branch

Terms used in this cover shall have the same meanings as defined in this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Thursday, 30 May 2013. The procedure for acceptance and transfer of the Rights Shares are set out in the section headed "Procedures for acceptance or transfer and application for excess Rights Shares" on pages 53 to 63 of this Prospectus.

The Rights Issue will proceed on a fully underwritten basis. The Underwriting Agreement contains provisions granting the Joint Underwriters a right to terminate their obligations under the Underwriting Agreement upon the occurrence of certain events, including force majeure events. Please refer to the section headed "Termination of the Underwriting Agreement" on pages 64 to 66 of this Prospectus for further details.

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If this condition is not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

The Shares have been dealt in on an ex-rights basis from 8 May 2013. Dealings in the Rights Shares in the nil-paid form are expected to take place from 20 May 2013 to 27 May 2013 (both dates inclusive). It is expected the conditions referred to in the paragraph headed "Letter from the Board – Conditions of the Rights Issue and the Underwriting Agreement" in this Prospectus are to be fulfilled at or before 4:00 p.m. on 4 June 2013. If the conditions of the Rights Issue are not fulfilled (or waived), the Underwriting Agreement will terminate and the Rights Issue will not proceed. If the Underwriting Agreement is terminated by the Joint Underwriters, the Rights Issue also will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in doubt about his/her/its position or any action to be taken is advised to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters' right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

15 May 2013

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If this condition is not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

The Shares have been dealt in on an ex-rights basis from 8 May 2013. Dealings in the Rights Shares in the nil-paid form are expected to take place from 20 May 2013 to 27 May 2013 (both dates inclusive). It is expected the conditions referred to in the paragraph headed "Letter from the Board – Conditions of the Rights Issue and the Underwriting Agreement" in this Prospectus are to be fulfilled at or before 4:00 p.m. on 4 June 2013. If the conditions of the Rights Issue are not fulfilled (or waived), the Underwriting Agreement will terminate and the Rights Issue will not proceed. If the Underwriting Agreement is terminated by the Joint Underwriters, the Rights Issue also will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in doubt about his/her/its position or any action to be taken is advised to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters' right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS, BENEFICIAL OWNERS OR INVESTORS IN THE SPECIFIED TERRITORIES. This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this Prospectus, the PAL or the EAF will be registered under the securities laws of any jurisdiction other than Hong Kong and none of the nil-paid Rights Shares, the fully-paid Rights Shares, this Prospectus, the PAL or the EAF will qualify for distribution under any of the relevant securities laws of any jurisdictions in the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within any jurisdictions in the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Company).

Shareholders with registered addresses in any jurisdictions in the Specified Territories and Beneficial Owners who are residents of any jurisdictions in the Specified Territories are referred to the paragraphs of this Prospectus headed "Letter from the Board – Non-Qualifying Shareholders" and "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue".

NOTICE TO OVERSEAS INVESTORS

Australia

None of the Rights Issue Documents is a disclosure document for the purposes of Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "Australian Corporations Act") ("Disclosure Document"). None of the Rights Issue Documents and any other document in relation to the Rights Issue has been or will be lodged with the Australian Securities and Investments Commission. None of the Rights Issue Documents purports to include the information required of a Disclosure Document.

The Rights Issue is made in Australia only to persons who are professional or sophisticated investors and to whom it is lawful to make the Rights Issue without disclosure in accordance section 708 of the Australian Corporations Act (an "Excluded Offeree"). By accepting the Rights Issue, an offeree represents that the offeree is an Excluded Offeree. No Securities will be issued in circumstances that would require a Disclosure Document to be issued by the Company to a person in Australia.

The Company is not licensed to provide financial product advice in Australia in relation to the Rights Issue. This Prospectus is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on the information contained in the prospectus, consider the appropriateness of this information having regard to their personal objectives, financial situation or individual needs.

European Economic Areas

With respect to each member state ("Member State") of the European Economic Area ("EEA") which has implemented the Prospectus Directive (as defined below), no action has been undertaken or will be undertaken to make an offer of any shares or subscription rights to the public and require a prospectus to be produced in any Member State. The information in this Prospectus has been prepared on the basis that all offers of shares in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive, as implemented in each Member State of the EEA, from the requirement to produce a prospectus for offers of securities. Accordingly, any person making or intending to make any offer within the EEA of the Rights Shares in their nil-paid or fully-paid forms should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such offer. The Company has not authorised, nor will it authorise, the making of any offer of the Rights Shares in their nil-paid or fully-paid forms in circumstances in which an obligation arises for the Company to publish a prospectus for such offer. Accordingly, the Rights Shares in their nil-paid or fully-paid forms may not be, and will not be, offered or sold in the EEA by means of the Rights Issue Documents or any accompanying document or any other document, except to persons who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, provided that no such offer of the Rights Shares in their nil-paid or fully-paid forms shall result in a requirement of the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measures in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

In particular,

Belgium

The Rights Issue does not constitute a public offering in Belgium. The Rights Issue has not been and will not be notified to, and none of the Rights Issue Documents and any other offering material relating to the shares has been or will be approved by, the Financial Services and Markets Authority.

Denmark

None of the Rights Issue Documents has been or will be registered with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in Denmark. Consequently, no offering of securities in the context of the Rights Issue has been or will be made to any shareholders or investors in Denmark, except to qualified investors within the meaning of, or otherwise in compliance with an exemption from prospectus requirement, set forth the Executive Order No. 643 of 19 June 2012 on Prospectuses etc.

Finland

None of the Rights Issue Documents shall constitute an offer to the public in Finland, and none of the Rights Issue Documents has been prepared to comply with the Finnish law including the Finnish Securities Markets Act (746/2012, as amended, Fi: Arvopaperimarkkinalaki, the "SMA") or any underlying regulations. This Prospectus is not a prospectus referred to in the SMA, and it has not been reviewed or approved by or notified to the Finnish Financial Supervisory Authority (Fi: Finanssivalvonta, the "FIN-FSA") in accordance with the SMA. This Prospectus may not include all information that would be required to be included in a prospectus in connection with an offering to the public.

No action has been or will be taken to authorise an offering of the Rights Shares in their nil-paid or fully-paid forms to the public in Finland. Therefore, none of the Rights Issue Documents and any other material relating to the Rights Issue shall be distributed or made available to the public in Finland. The Rights Issue Documents shall only be furnished or transferred, and any marketing, advertising, offer, sale of or solicitation relating to the Rights Issue shall only be made, in reliance on the exemptions applicable to private placements provided in the SMA, and other applicable legislation and regulation in Finland and only in circumstances which would not constitute an offer to the public in Finland. The Rights Shares in their nil-paid and fully-paid forms can only be offered, sold, transferred or delivered in Finland, directly or indirectly, in a manner that is permissible under applicable laws and regulations for a non-public offer of the Rights Shares in their nil-paid and fully-paid forms in Finland. The Rights Issue Documents are strictly for private use by their holder and may not be passed on to third parties or otherwise distributed publicly in Finland. Subscriptions will not be accepted from any persons other than the person to whom the Rights Issue Documents have been delivered by the Company or its representative.

Germany

No public offer may be made in Germany as the Rights Issue Documents and any other material related thereto are not and will not be approved as prospectus under the Prospectus Directive by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) or notified thereto by another competent authority of a Member State. Therefore, the Rights Shares in their nil-paid or fully-paid forms will only be available in Germany (i) to, and the Rights Issue Documents and any other offering material in relation to the Shares are directed only at, persons who are qualified investors (qualifizierte Anleger) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act (Wertpapierprospektgesetz); or (ii) under any other circumstances that do not require the publication of a prospectus pursuant to Section 3 para. 2 of the German Securities Prospectus Act. Any resale of the Rights Shares in their nil-paid or fully-paid forms in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws.

Ireland

None of the Rights Issue Documents and any other related material relating to Ireland of itself or in conjunction with any other material constitutes: (i) a prospectus within the meaning of the Irish Companies Act 1963 or Part 5 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005 (the "2005 Act"); (ii) an offering document within the meaning of section 49 of the 2005 Act (a "Local Offering Document"); (iii) an investment advertisement within the meaning of section 23 of the Irish Investment Intermediaries Act 1995; or (iv) investment advice or the provision of investment or ancillary services (or the advertisement thereof or in relation thereto) within the meaning of the European Communities (Markets in Financial Instruments) Regulations 2007 (the "2007 Regulations") or otherwise.

No offer of Rights Shares in their nil-paid or fully-paid forms to the public is made, or will be made, that requires the publication of: (i) a prospectus pursuant to Irish prospectus law (within the meaning of Part 5 of the 2005 Act) in general, or in particular pursuant to the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the "Prospectus Regulations") or (ii) a Local Offering Document under the 2005 Act. The Rights Issue Documents are being distributed to fewer than 150 natural or legal persons in Ireland and accordingly there is no requirement to publish a prospectus under the Prospectus Regulations or a Local Offering Document under the 2005 Act.

None of the Rights Issue Documents has been approved, reviewed or registered with the Central Bank of Ireland or any other competent authority in Ireland.

The Company is not an authorised investment firm within the meaning of the 2007 Regulations and the recipients of the Rights Issue Documents should seek independent legal and financial advice in determining their actions in respect of or pursuant to the Rights Issue Documents.

Italy

The offering of the Rights Shares in their nil-paid or fully-paid forms has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB"), in accordance with Italian securities legislation. Accordingly, the Rights Shares in their nil-paid or fully-paid forms may not be offered or sold or delivered, and copies of this offering document or any other document relating to the Rights Shares in their nil-paid or fully-paid forms may not be distributed in Italy except (i) to Qualified Investors, as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended (the "Intermediaries' Regulation"), pursuant to Article 34-ter, first paragraph, letter (b) of CONSOB Regulation no. 11971 of May 14, 1999, as amended (the "Issuers' Regulation"), implementing Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "Consolidated Financial Act"); or (ii) in any other circumstances where an express exemption to comply with public offering restrictions provided by the Consolidated Financial Act or by the Issuers' Regulation applies. In any event, any such offer or sale of the Rights Shares in their nil-paid or fully-paid forms or distribution of copies of the Rights Issue Documents or any other document relating to the Rights Shares in their nil-paid or fully-paid forms in Italy under (i) or (ii) above must (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Act, Legislative Decree No. 385 of September 1st, 1993, as amended and with the Intermediaries' Regulations; and (b) in compliance with any other applicable laws and regulation, including any requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or any other competent supervisory authority.

Japan

No securities registration statement under article 4(1) of the financial instruments and exchange act of Japan (act no. 25 of 1948, as amended) (the "FIEA") has been or will be filed with respect to the solicitations of an offer to acquire the Rights Shares in their nil-paid or fully-paid forms because such solicitations are made pursuant to a "solicitation for small number of investors" (as set forth in article 23-13(4) of the FIEA).

Pursuant to the relevant FIEA rules, no Rights Shares in their nil-paid or fully-paid forms may be offered or sold directly or indirectly in Japan, or to or for the benefit of any person in Japan (which term as used herein means any person resident or located in Japan, including any corporation or other entity organized under the laws of Japan or any branch or other office of a foreign entity located in Japan) ("relevant Japanese entity"), except where such offer or sale is made pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable law, regulations and ministerial guidelines of Japan.

Relevant Japanese entities who receive any Rights Shares in their nil-paid or fully-paid forms may only offer or sell such rights shares to other relevant Japanese entities pursuant to a small number private placement exemption from the registration requirements (as set forth in article 2(3)(ii)(c) of the FIEA). Accordingly, any transfer of Rights Shares in their nil-paid or fully-paid forms by a transferring relevant Japanese entity to a transferee relevant Japanese entity must be a transfer of all (and not part only) of the Rights Shares in their nil-paid or fully-paid forms held by such transferring relevant Japanese entity. Any such transfer of Rights Shares in their nil-paid or fully-paid forms may only be made with the consent of the Company and such consent will not be granted unless the transferring relevant Japanese entity transfers all (and not part only) of the Rights Shares in their nil-paid or fully-paid forms to such transferee relevant Japanese entity.

Korea

The Rights Shares in their nil-paid or fully-paid forms may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Financial Investment Services and Capital Markets Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The Rights Shares Documents have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the Rights Shares in their nil-paid or fully-paid forms may not be re-sold to Korean residents unless the purchaser of the Rights Shares in their nil-paid or fully-paid forms complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with their purchase.

Singapore

The Rights Issue Documents and any other materials relating to the Rights Issue have not been and will not be lodged with and registered as a prospectus under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") with the Monetary Authority of Singapore (the "MAS"). None of the Rights Issue Documents and any other materials relating to the Rights Issue is a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. The MAS assumes no responsibility for the contents.

The Rights Issue Documents and any other materials relating to the Rights Issue are addressed solely to and is for the exclusive use of persons whose names were on the register of members of the Company with registered addresses in Singapore on the Record Date (the "Singapore Shareholders"). Any offer or invitation in respect of the Rights Shares in their nil-paid or fully-paid forms is capable of acceptance only by the Singapore Shareholders and is not transferable. The Rights Issue Documents and any other materials relating to the Rights Issue may not be distributed or given to any person other than the Singapore Shareholders. The Rights Issue Documents and any other materials relating to the Rights Issue should not be reproduced, in whole or in part.

This offer or invitation is made in reliance on the exemption under Section 273(1)(cd)(i) of the SFA. It is not made in or accompanied by a prospectus that is registered by the MAS.

Accordingly, the Rights Issue Documents and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Shares in their nil-paid or fully-paid forms may not be issued, circulated or distributed, in Singapore nor may any Rights Shares in their nil-paid or fully-paid forms be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) pursuant to, and in accordance with, the prospectus registration and other requirements in Subdivisions (2) and (3) of Division 1 of Part XIII of the SFA or (ii) pursuant to, and in accordance with, the conditions of any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

Taiwan

In order to comply with the laws of the Republic of China, Taiwan ("ROC"), PALs sent to Qualifying Shareholders with registered addresses in ROC will not be renounceable. The Rights Shares in their nil-paid or fully-paid forms shall not constitute a public offering or issuing of securities as defined under the Securities and Exchange Act of ROC and shall not require the registration thereof or report thereon with or to the Financial Supervisory Commission of ROC ("FSC"). No individual or entity in ROC has been authorized to offer, sell or otherwise advise on the offer or sale of the Rights Shares in their nil-paid or fully-paid forms in the territory of ROC. No individual or entity is allowed to publicly offer to resell the Rights Shares in their nil-paid or fully-paid forms without an effective registration with FSC, subject to the ROC regulatory requirement that the Company shall complete its public issuance procedure before such registration.

US

This Prospectus may not be circulated, distributed, forwarded, delivered or redistributed, electronically or otherwise, to persons within the US, and may not be relied upon as a basis for any investment decision or for any other purpose by any person within the US, save as provided below. These materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the US. The Rights Shares in their nil-paid and fully-paid forms have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the US except pursuant to an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US.

The Rights Shares in both nil-paid and fully-paid forms, this Prospectus, the PAL and the EAF have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Rights Shares in both nil-paid and fully-paid forms, the PAL and the EAF or the accuracy or adequacy of this Prospectus.

There will be no public offer of these securities in the US. The Rights Shares in both nil-paid and fully-paid forms (1) are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act, and (2) may be offered and sold in the US in reliance on an applicable exemption from the registration requirements of the Securities Act.

The Rights Shares offered outside the US are being offered in reliance on Regulation S under the Securities Act. In addition, the Joint Underwriters may arrange for the offer of the Rights Shares not taken up in the Rights Issue only outside the United States in reliance on Regulation S under the Securities Act. Each purchaser or subscriber of Rights Shares being offered and sold the Rights Shares outside the US will be deemed to have represented and agreed, among other things, that the purchaser or subscriber is acquiring the Rights Shares in an offshore transaction meeting the requirements of Regulation S under the Securities Act. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

In addition, until 40 days after the posting date of the Rights Issue Documents, an offer, sale or transfer of the Rights Shares within the US by a broker/dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Company is a public company incorporated under the laws of Hong Kong. All of the members of the Board and most of the Company's employees are citizens or residents of countries other than the US. A substantial portion of the assets of such persons and all or substantially all the Company's assets are located outside the US. As a result, it may not be possible for investors to effect service of process within the US upon such persons or upon the Company, or to enforce judgments obtained in US courts, including judgments predicated upon civil liabilities under the securities laws of the US or any state or territory within the US. In addition, there may be substantial doubt as to the enforceability, in Hong Kong, of original actions or actions for enforcement based on the federal securities laws of the US or judgments of US courts, including judgments predicated upon the civil liability provisions of the securities laws of the US.

FORWARD-LOOKING STATEMENTS

All statements in this Prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as "might", "may", "could", "would", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue", "illustration", "projection" or similar expressions and the negative thereof. Forward-looking statements in this Prospectus include, without limitation, statements in respect of the Group's business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this Prospectus are based on management's present expectations about future events. Management's present expectations reflect numerous assumptions regarding the Group's strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group's actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this Prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of the Rights Issue Documents. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this Prospectus, be it as a result of new information, future events or otherwise.

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In this Prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisitions"	the PT Acquisition and the Sable Acquisition;
"Adjusted EBITDA"	earnings before interest, tax, depreciation, amortisation, gain or loss on disposal of property, plant and equipment, and share of profits of an associate and jointly controlled entity;
"Announcement"	the announcement dated 22 April 2013 issued by the Company in relation to the Rights Issue;
"associate(s)", "connected person(s)", subsidiary(ies)"	each has the meaning ascribed to it by the Listing Rules;
"Beneficial Owner"	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner;
"Board"	the board of Directors;
"business day"	any weekday (other than a Saturday or a day on which a tropical cyclone warning signal no. 8 or above or a "black" rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.) on which banks in Hong Kong are generally open for business;
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC;
"CCASS Participant"	a person admitted by HKSCC as a participant of CCASS;
"Circular"	the circular of the Company dated 21 March 2013 in relation to the Acquisitions;
"CITIC Group Corporation"	中國中信集團有限公司 (CITIC Group Corporation), a wholly state-owned enterprise established under the laws of the PRC;
"CITIC Pacific"	CITIC Pacific Limited (中信泰富有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 00267);
"CITIC Securities Corporate Finance "	CITIC Securities Corporate Finance (HK) Limited;
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the laws of Hong Kong);

"Company"	CITIC Telecom International Holdings Limited (中信國際電訊集團有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (stock code: 01883);
"CTM"	Companhia de Telecomunicações de Macau, S.A.R.L., a company incorporated in Macau;
"CTM Group"	CTM and its subsidiaries;
"DBS"	DBS Asia Capital Limited;
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch;
"Director(s)"	the director(s) of the Company;
"EAF(s)"	the excess application form(s) to be issued to Qualifying Shareholders in respect of applications for excess Rights Shares;
"Enlarged Group"	the Group immediately after completion of the Acquisitions;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC"	Hong Kong Securities Clearing Company Limited;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"ICT"	information and communication technology;
"Intermediary"	in relation to a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the Beneficial Owner's broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial Owner's Shares with a CCASS Participant;
"Investor Participant"	a person admitted to participate in CCASS as an investor participant;
"Irrevocable Undertakings"	the irrevocable undertakings dated 19 April 2013 given by the Undertaking Shareholders to the Company and the Joint Underwriters, among other things, to take up in aggregate 542,094,138 Rights Shares (being the Rights Shares attributable to their entire present holding of 1,445,584,370 Shares);

"Joint Underwriters"	CITIC Securities Corporate Finance, Standard Chartered, DBS, Deutsche Bank and UBS;
"Last Trading Day"	19 April 2013;
"Latest Acceptance Date"	30 May 2013, being the last day for acceptance of, and payment for, the Rights Shares or such other date as the Company and the Joint Underwriters may agree in writing;
"Latest Practicable Date"	9 May 2013, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion herein;
"Latest Time for Termination"	4:00 p.m. on 4 June 2013;
"Listing Committee"	the Listing Committee of the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	the Macau Special Administrative Region of the PRC;
"Macau Concession"	the Concession Agreement of the Public Telecommunications Service dated 20 August 1981 as revised on 6 December 1999 and on 6 November 2009;
"Macau Government"	the Government of Macau (including, for the purpose of this Prospectus, the Chief Executive of Macau and Macau Postal Services – Direcção dos Serviços de Correios de Macau);
"MOP"	Pataca, the lawful currency of Macau;

"Non-Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appeared in the register of members of the Company at close of business on the Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those Shareholders who fulfill, to the satisfaction of the Company, the relevant requirements specified in the section headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" of this Prospectus; and any Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise known by the Company to be resident in any of the Specified Territories, except for those Shareholders or Beneficial Owners who fulfill, to the satisfaction of the Company, the relevant requirements specified in the section headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" of this Prospectus;
"PAL(s)"	the renounceable provisional allotment letter(s) to be issued to Qualifying Shareholders in respect of the Rights Shares proposed to be issued to them under the Rights Issue;
"PRC" or "China"	the People's Republic of China;
"Prospectus"	this Prospectus containing details of the Rights Issue;
"PT"	Portugal Telecom, SGPS, S.A. ("Portugal Telecom"), PT Participações SGPS, S.A. and PT Comunicações, S.A., which are companies established under the laws of Portugal;
"PT Acquisition"	the acquisition of 42,000 shares in CTM held by PT, representing a 28% interest in the share capital of CTM, by the Company;
"Qualifying Shareholder(s)"	Shareholder(s), other than Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date;
"Record Date"	14 May 2013, the record date by reference to which entitlements to the Rights Issue are to be determined;

"Registered Owner"	in respect of a Beneficial Owner, means a nominee, trustee, depository or any other authorised custodian or third party which is the registered holder in the register of members of the Company of the Shares in which the Beneficial Owner is beneficially interested;
"Registrar"	Tricor Investor Services Limited, the share registrar of the Company at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong;
"Regulation S"	Regulation S under the Securities Act;
"Rights Issue"	the proposed issue by the Company of the Rights Shares at the Subscription Price on the basis of 3 Rights Shares for every 8 existing Shares held on the Record Date, payable in full on acceptance;
"Rights Issue Documents"	this Prospectus, the PAL(s) and the EAF(s);
"Rights Share(s)"	the new Share(s) to be allotted and issued under the Rights Issue;
"Sable"	Sable Holding Limited, a company incorporated in England and Wales;
"Sable Acquisition"	the acquisition of 76,500 shares in CTM held by Sable, representing a 51% interest in the share capital of CTM, by the Company;
"Securities Act"	U.S. Securities Act of 1933, as amended;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of Share(s) on the register of members of the Company;
"Share Option(s)"	the share option(s) granted by the Company pursuant to the Share Option Scheme;
"Share Option Scheme"	the share option scheme of the Company adopted on 17 May 2007;
"SMS"	short message service;
"Specified Territories"	Canada, Malaysia, Thailand and the US;

"Standard Chartered"	Standard Chartered Securities (Hong Kong) Limited;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subscription Price"	the subscription price of HK$2.02 per Rights Share;
"UBS"	UBS AG, Hong Kong Branch;
"Undertaking Shareholders"	Ease Action Investments Corp., Richtone Enterprises Inc. and Silver Log Holdings Ltd., which in aggregate held 1,445,584,370 existing Shares as at the Latest Practicable Date;
"Underwriting Agreement"	the underwriting agreement dated 22 April 2013 entered into between the Company and the Joint Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue;
"Underwritten Shares"	the Rights Shares underwritten by the Joint Underwriters pursuant to the terms of the Underwriting Agreement;
"US" or "United States"	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia);
"US$"	lawful currency of the United States; and
"%"	per cent.

* *The number of Rights Shares attributable to a particular Shareholder set out in this Prospectus is for illustration purposes only and the actual number may change due to the fact that the Shares may be held by different nominees and as a result of rounding resulting from fractional entitlements.*

For illustrative purposes in this Prospectus, the conversion rate of US$1.00 = HK$7.80 is adopted.

(a) Expected timetable

Publication of the announcement about the Rights Issue	22 April 2013
Last day of dealings in Shares on a cum-rights basis	7 May 2013
First day of dealings in Shares on an ex-rights basis	8 May 2013
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on 9 May 2013
Register of members closes (both dates inclusive)	10-14 May 2013
Record Date	14 May 2013
Despatch of Rights Issue Documents	15 May 2013
Register of members re-opens	15 May 2013
First day of dealings in nil-paid Rights Shares	20 May 2013
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on 22 May 2013
Last day of dealings in nil-paid Rights Shares	27 May 2013
Latest time for acceptance and payment for Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on 30 May 2013
Rights Issue expected to become unconditional	4:00 p.m. on 4 June 2013
Announcement of results of the Rights Issue to be published on the Stock Exchange's and the Company's website on or before	6 June 2013
Refund cheques in respect of unsuccessful or partially successful applications for excess Rights Shares expected to be despatched on or before	7 June 2013
Share certificates for fully-paid Rights Shares expected to be despatched on or before	7 June 2013
Expected first day of dealings in fully-paid Rights Shares	10 June 2013

Note: All dates and times referred to in this Prospectus are Hong Kong dates and times. Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Rights Issue are indicative only and may be extended or varied by agreement between the Company and the Joint Underwriters. Further announcement(s) will be made in the event that there is any change to the expected timetable for the Rights Issue.

(b) Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

(i) a tropical cyclone warning signal no. 8 or above; or

(ii) a "black" rainstorm warning

is in force in Hong Kong at any local time:

(A) before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. In such event, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same business day; or

(B) between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. In such event, the latest time of acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned in the paragraph headed "Expected timetable" above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

Basis of the Rights Issue	:	3 Rights Shares for every 8 existing Shares held on the Record Date
Subscription Price	:	HK$2.02 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	2,409,928,870 Shares
Number of Rights Shares as at the Latest Practicable Date	:	903,723,326 Rights Shares
Aggregate nominal value of the Rights Shares as at the Latest Practicable Date	:	HK$90,372,333
Enlarged issued share capital upon completion of the Rights Issue (based on the number of Shares in issue as at the Latest Practicable Date)	:	3,313,652,196 Shares
Joint Financial Advisers	:	CITIC Securities Corporate Finance and Standard Chartered
Joint Global Coordinators and Joint Underwriters	:	CITIC Securities Corporate Finance, Standard Chartered, DBS, Deutsche Bank and UBS

Potential investors should consider carefully all the information set out in this Prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company, the Group or the Enlarged Group before making any investment decision in relation to the Rights Issue, the Company, the Group and the Enlarged Group. The occurrence of any of the following risks could have a material adverse effect on the business, results of operation, financial condition and future prospects of the Group and the Enlarged Group. This Prospectus contains certain forward-looking statements regarding the Directors' or the Group's or the Enlarged Group's plans, objectives, expectations and intentions that involve risks and uncertainties. The Group's and the Enlarged Group's actual results could differ materially from those described in this Prospectus. Factors that could cause or contribute to such differences include those described below as well as those described elsewhere in this Prospectus.

RISKS RELATING TO THE RIGHTS ISSUE

Unless a Shareholder takes up his/her/its full entitlement in full under the Rights Issue, his/her/its investment and proportionate ownership interest in the Company will be diluted

Unless a Shareholder takes up his/her/its full entitlement in full under the Rights Issue, his/her/its investment and proportionate ownership interest in the Company will be diluted. Even if a Shareholder elects to sell his/her/its nil-paid Rights Shares prior to the expiration of the applicable trading period, or such nil-paid Rights Shares are sold on his/her/its behalf, the consideration he/she/it receives may not be sufficient to compensate him/her/it fully for such dilution of his/her/its investment and proportionate ownership interest in the Company.

The market prices of the Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period

Although the Subscription Price of HK$2.02 for the Rights Shares represented a discount to the closing price of HK$2.73 per Share as quoted on the Stock Exchange on the Latest Practicable Date, market prices may fall below the Subscription Price prior to the expiration of the subscription period as a result of, among other things, global economic or political conditions, market's perception of the likelihood of completion of this offering, regulatory changes affecting the Company's operations and variations in the Company's financial results. Many of these factors are out of the Company's control. If any Shareholder or potential investor takes up or purchases the nil-paid Rights Shares and the market price of the Shares trades below the Subscription Price on the date the fully-paid Rights Shares are issued to him/her/it, then he/she/it will have purchased those Shares at a price higher than the market price. Any decrease in market prices may continue after the completion of the Rights Issue and as a result, he/she/it may not be able to sell such Rights Shares at a price equal to or greater than the Subscription Price.

An active trading market for the nil-paid Rights Shares may not develop on the Stock Exchange or any over-the-counter trading market and, even if a market does develop, the trading price of the nil-paid Rights Shares may fluctuate

A trading period has been set for the nil-paid Rights Shares from 20 May 2013 to 27 May 2013. The Company cannot assure Shareholders and potential investors that an active trading market in the nil-paid Rights Shares on the Stock Exchange will develop during the applicable trading period for nil-paid Rights Shares or that any over-the-counter trading market in the nil-paid Rights Shares will develop. Even if an active market develops, the trading prices of the nil-paid Rights Shares may be volatile and subject to the same factors affecting the price of the Shares. See the paragraph headed "Risk Factor — Risks Relating to the Rights Issue — The market prices of the Shares may fluctuate and may fall below the Subscription Price prior to the expiration of the subscription period."

The Subscription Price is not an indication of the Company's underlying value

The Subscription Price was determined by the Directors with reference to the current market environment, the recent financial conditions of the Group and the prevailing Share prices. Consistent with the customary practice for a rights issue, the Subscription Price was set at a discount to the market price of the Shares at that time. The Subscription Price does not bear a direct relationship to past operations, cash flow, earnings, financial condition or any other established criteria for value and Shareholders and potential investors should not consider the Subscription Price to be any indication of the Company's underlying value.

Dividends distributed in the past may not be indicative of the Company's dividend policy in the future

Any future declaration of dividends will be proposed by the Board and the amount of any dividends will depend on various factors, including the Company's operating results, profitability, financial conditions, future business prospects and other factors that the Board may determine to be important. There is no guarantee if and when the Company will pay dividends in the future.

RISKS RELATING TO THE ACQUISITIONS

The Acquisitions are conditional and the outstanding conditions may not be satisfied

Completion of the Acquisitions is subject to certain conditions, details of which are set out in the Circular. In addition, completion of the Sable Acquisition and the PT Acquisition are conditional upon each other. Although the Company has agreed to use reasonable endeavours to fulfil or procure the fulfilment of certain of the outstanding conditions, there can be no assurance that the outstanding conditions will be satisfied (or waived, where capable of being waived) or that the Acquisitions will be completed.

If the Acquisitions do not proceed to completion, the Company will not be able to realise the anticipated benefits of the Acquisitions, and it may create uncertainty for the Group's business planning and development.

Governmental and regulatory approvals from the Macau Government may take a longer period of time than expected to obtain and may result in new or more stringent conditions being imposed on the Enlarged Group

At the Latest Practicable Date, the Company was seeking certain governmental and regulatory approvals and to receive confirmations for the Acquisitions from the relevant authorities in Macau. These governmental and regulatory approvals may take a longer period of time than expected to obtain, which could delay completion of the Acquisitions. Furthermore, the relevant authorities may, as a condition to granting their approval or confirmation, impose requirements or limitations, require divestitures or place restrictions on the conduct of the Enlarged Group's business. Any such requirements, limitations, divestitures or restrictions could delay or jeopardise completion of the Acquisitions, prove costly to comply with or implement, reduce the anticipated benefits of the Acquisitions or result in an adverse effect on the business and results of operations of the Enlarged Group.

The Enlarged Group will have an increased amount of long-term debt following the Acquisitions which may make it more difficult for the Enlarged Group to obtain additional debt financing

The Company has obtained commitments on a certain funds basis for short and long-term loan facilities from a group of banks and other financial institutions to cover all of its remaining funding requirements in relation to the Acquisitions. Draw down of funds under these facilities is conditional on satisfactory completion of the loan documentation and satisfaction of certain conditions to completion of the Acquisitions, failing which the Company may not be able to complete the Acquisitions. Amounts borrowed to fund the Acquisitions will significantly increase the Enlarged Group's indebtedness, which may make it more difficult for the Enlarged Group to obtain additional debt financing in the future or may increase the cost of such debt financing. Following the Acquisitions, the ability to obtain debt financing on commercially acceptable terms or at all may depend on factors outside the Enlarged Group's control, including the then prevailing conditions in the international credit and capital markets. Any inability to refinance such debt on commercially acceptable terms may have an adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group faces challenges in executing its growth strategy

In recent years, the Company has completed a number of strategic acquisitions and investments to complement its businesses and expects to complete the Acquisitions in or before the third quarter of 2013. Although the Company conducts due diligence in connection with its acquisitions and investments, it may not be aware of all the risks associated with the acquired businesses at the time of purchase. Any discovery of adverse information concerning the acquired businesses after the completion of the acquisitions could materially and adversely affect the Group's business, financial condition and results of operations. Furthermore, the acquired companies may not perform to the Company's expectations for various reasons, including legislative or regulatory changes that affect the products and services in which the acquired companies specialise, and the loss of key customers and personnel. If the Group is not able to realise the benefits envisioned as regards such acquisitions and investments, the Group's overall profitability and growth plans may be adversely affected.

The Enlarged Group's business strategy is to focus on developing its telecoms businesses, both organically and through new business combinations, strategic investments and acquisitions. However, the Enlarged Group may face challenges in executing such strategy, including:

- availability and pricing of capital raising on suitable terms;
- competition in its markets and challenges in maintaining customers and enhancing its services;
- the existence of regulatory requirements and barriers;
- the difficulty of integrating the operations and personnel of the acquired companies;
- the potential disruption to the Enlarged Group's ongoing business and the diversion of management's time, attention and resources;
- the difficulty of incorporating acquired technology and rights into the Enlarged Group's products and services;
- the impairment of relationships with employees and customers as a result of integration of new management and personnel;
- potential unknown liabilities associated with acquired businesses; and
- adverse effects on the Enlarged Group's reported operating results due to the potential impairment provision for goodwill and other intangible assets, amortisation of other intangible assets associated with acquisitions, and losses sustained by acquired companies after the completion of the acquisitions.

There is no assurance that the Enlarged Group will be able to implement its growth strategies successfully or that it will be able to expand the Enlarged Group's activities or portfolio at any specified rate or to any specified size. The Enlarged Group may not be able to complete its plans on schedule or without incurring additional expenditures or at all. If market conditions change and operations do not generate sufficient funds or for any other reason, the Enlarged Group may decide to delay, modify or forego some aspects of its growth strategies. The Enlarged Group's future results of operations may be adversely affected if it is unable to implement growth strategies successfully.

RISKS RELATING TO THE ENLARGED GROUP AND ITS OPERATIONS

Increasing competition may have an adverse effect on the Enlarged Group's business and results of operations

The market for telecommunications services is extremely competitive and rapidly changing.

Increasing liberalisation of the telecoms industry in Hong Kong and China may continue to attract new local and foreign entrants and broaden the variety of telecoms services available in the market, thereby increasing the overall level of competition in the industry. Although the Group is not a basic telecoms service provider, it competes in some areas against telecoms operators, communications software companies and system integrators that provide systems and services used by telecoms operators to manage their networks and internal operations relating to inter-operator connections and other telecoms transactions. In addition, competition also exists between certain of the Group's services such as mobile VAS (value added service) and the software or technologies developed in-house by its customers.

The fixed telecoms market in Macau is in the process of liberalisation, and it is expected that competition may increase from both existing market players and new market players. Increased competition may have an adverse effect on the operating performance of CTM and hence may affect the value of the business.

The Enlarged Group's competitive position varies by service types because each service is characterised by a different market. Some of the Enlarged Group's competitors may have greater financial, technical, marketing and other resources, more sophisticated infrastructure, better brand recognition, a larger customer base and may be able to devote more human and financial resources to research and development, network improvement and marketing and respond to new or emerging changes in technology or customers' requirements more quickly than the Enlarged Group.

Increasing competition has in the past and could in the future result in fewer customer orders, reduced revenues, pricing pressure, increased marketing and acquisition costs, reduced sales margins and loss of market share, any one of which could have an adverse effect on the Enlarged Group's business and results of operations.

Rapid technological changes may increase competition and render the Enlarged Group's technologies, products or services obsolete or cause the Enlarged Group to lose market share

The telecoms industry is subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. Technological changes continue to reduce the costs, and expand the capacities and functions of new infrastructure capable of delivering competing products and services, resulting in lower prices and more competitive and innovative products and services. The Enlarged Group's operations depend on the successful deployment of continuously evolving technologies and its response to technological changes and industry developments.

The Group's business currently covers both TDM (Time Division Multiplexing) and IP (Internet Protocol) telecoms traffic, including VoIP (Voice over Internet Protocol). To compete successfully, the Group must increase the diversity and sophistication of the services it offers and upgrade its technologies. There can be no assurance that the Group can improve the features, functionality, reliability and responsiveness of its interoperability, infrastructure and other services to meet the changing demands of its customers towards new communication technologies in a timely manner. In the event the Group is not in a position to cope with emerging and future technological changes, the Group's operations or its competitiveness will be adversely affected. A similar risk applies to CTM with respect to the evolving demands of its subscribers for new technologies that CTM may not be able to meet.

Similarly, the technologies that the Enlarged Group employs may become obsolete or subject to intense competition from new technologies in the future. If the Enlarged Group fails to develop, or obtain timely access to, new technologies, or if it fails to obtain the necessary licences for the provision of services using these new technologies, the Enlarged Group may lose its customers and market share, and its results of operations would be adversely affected.

The Enlarged Group may not be able to adapt to its customers' varying requirements and its products or services may not gain market acceptance and may not achieve commercial success

The success of the Enlarged Group's business depends on its ability to enhance its existing products and services and to develop new products and services which are compatible to the industry requirements of its targeted customers, who may have different needs. Such development process is complex, uncertain and time-consuming. The success of the new products or services depends on the Enlarged Group's ability to anticipate and adjust its products or services for changing needs, preferences and technological requirements of its customers, as well as the perceived advantages and disadvantages of its products or services relative to competitive products or services. If the Enlarged Group fails to gain market acceptance of its new products or services by its targeted customers, it may not recover the research, development, production and marketing costs for such new products or services, and the Enlarged Group's business, financial condition, results of operations and prospects may be adversely affected.

Systems failures, delays and other problems could harm the Enlarged Group's reputation and business, and cause the Enlarged Group to lose customers and be exposed to customer liability

The Group provides interoperable interconnections, mobile VAS and data services that are critical to the operations of its customers. The Group's system architecture is integral to its ability to process a high volume of transactions in a timely and effective manner. CTM provides mobile, fixed line and broadband services that are dependent on the performance of its network.

The Enlarged Group may experience failures or interruptions of its systems and services, or other problems in connection with its operations as a result of, amongst others:

- damage to or failure of its computer software or hardware or its infrastructure and connections;
- data processing errors by its systems;
- computer viruses or software defects;
- physical or electronic break-ins, sabotage, intentional acts of vandalism and similar events; and
- the failure to adapt to rapid technological changes in the telecoms industry.

In December 2012, CTM experienced a system failure as a result of a software update. The issue was resolved and measures were implemented to ensure that similar issues did not arise again.

If the Enlarged Group cannot adequately ensure the ability of its network services to perform consistently at a high level or otherwise fails to meet its customers' expectations:

- it may experience damage to its reputation, which may adversely affect its ability to attract or retain customers for its existing services, and may also make it more difficult for the Enlarged Group to market its existing or future services;
- it may be subject to significant damages or customer liability claims, under its contracts or otherwise, including the requirement to pay penalties relating to service level requirements in its contracts;
- it may, in the case of CTM, be subject to penalties imposed by the Macau regulators;
- its operating expenses or capital expenditures may increase as a result of corrective efforts that it must perform;
- its customers may reduce their use of its services; or
- one or more of its significant contracts may be terminated early, or may not be renewed.

These or other consequences would adversely affect the Enlarged Group's revenues and performance.

The loss of, or damage to, data centres or other infrastructure may interrupt the Enlarged Group's operations and harm the Enlarged Group's revenues and growth

The integrity of the Enlarged Group's data centres and infrastructure, in particular in relation to the Enlarged Group's POPs (points of presence), submarine cable connections, international private lease lines, local lease lines, switches or other circuits connecting the Enlarged Group with its customers, are important to the Enlarged Group's provision of services. The Enlarged Group may not have sufficient backup systems or facilities to allow it to receive, process and/or transmit data in the event of a loss of, or damage to, any of its data centres or infrastructure. Such loss or damage may be caused by power loss, natural disasters such as fires, earthquakes, severe storms, heavy rainfall, floods and typhoons, network software flaws, vandalism, telecoms failures such as transmission cable disruptions or other similar events that could adversely affect its customers' ability to access the Enlarged Group's hub. For instance, in July 2011, one of CTM's switch rooms was damaged as a result of an explosion at a restaurant located at the "Centro Internacional de Macau" building complex, leading to an interruption in CTM's services. CTM also experienced several network incidents in February, May and December 2012 which caused services disruption in some parts of CTM's mobile network, fixed network and internet network. In the event of such loss or damage, the Enlarged Group may be required to make significant expenditures to repair or replace a data centre and/or its other infrastructure. Any interruption to the Enlarged Group's operations due to the loss of, or damage to, data centres and/or its other infrastructure could harm the Enlarged Group's reputation and cause its customers to reduce their use of the Enlarged Group's services, which could harm the Enlarged Group's revenues and business prospects.

The Enlarged Group's business model also depends on the availability of telecoms networks and infrastructure maintained by third parties to transmit and terminate voice and/or data traffic. In addition, the Enlarged Group can solely engage with broker carriers/direct carriers to carry some/all of its traffic to a particular country or destination. In the event that any of these third parties fails to provide their telecoms networks, infrastructure or other facilities to the Enlarged Group for whatever reason, for instance, due to natural disasters or problems with, or scheduled or unscheduled maintenance activities upon, any of their telecoms networks, infrastructure or other facilities, the Enlarged Group's ability to complete calls or provide other services to its customers may be materially disrupted or suspended which could in turn discourage its customers from using the Enlarged Group's services.

Security or privacy breaches may result in an interruption of service or a reduced quality of service, which could increase the Enlarged Group's costs or result in a reduction in the use of the Enlarged Group's services by its customers

The Enlarged Group's systems may be vulnerable to physical break-ins, computer viruses, attacks by computer hackers or similar disruptive problems. If unauthorised users gain access to the Enlarged Group's databases, they may be able to steal, publish, delete or modify sensitive information that is stored or transmitted on the Enlarged Group's networks and which the Enlarged Group is required by its contracts to keep confidential. A security or privacy breach could result in an interruption of service or a reduced quality of service. Confidential information internal to the Enlarged Group may also be disclosed to unauthorised personnel who may use such information in a manner adverse to the interests of the Enlarged Group. Hackers may attempt to "flood" the network, thereby preventing legitimate network traffic or to disrupt connections between two machines, thereby preventing access to a service or preventing a particular individual from accessing a service. The Enlarged Group's VoIP network may also be exposed to intruders' attacks or other unauthorised access, resulting in call hijacking, eavesdropping, resource exhaustion and making of free telephone calls. The Enlarged Group may therefore be required to make significant expenditures in connection with corresponding corrective or preventive measures. In addition, a security or privacy breach may harm the Enlarged Group's reputation and cause its customers to reduce their use of such services, which could harm the Enlarged Group's revenues and business prospects.

In addition, the Enlarged Group's revenue may be adversely affected by un-captured usage, in the event that the Enlarged Group's systems are "hacked" into, resulting in transmissions that may not be detected by its billing system. Further, the increase in traffic as a result of such unauthorised "hacking" may slow or overload the Enlarged Group's transmission networks, thereby adversely affecting the overall quality of services which the Enlarged Group provides to its paying customers.

The Enlarged Group's exposure to telecoms security concerns is heightened as Hong Kong, PRC and Macau laws relating to liability under such circumstances are relatively new. In addition, the Enlarged Group does not carry "errors and omissions" or other insurance covering losses or liabilities caused by computer viruses or security breaches, which under such circumstances could mitigate damages that the Enlarged Group may suffer. If the Enlarged Group incurs any such losses or liabilities, its operating results, financial condition, business and prospects may be adversely affected.

Insurance does not cover cyber risks and data loss

The insurance taken out by the Enlarged Group does not cover certain damages or losses, and its policies contain a number of liability exclusion clauses, including exclusions for:

- damage or loss relating to the use or misuse of the Internet or similar facility, such as:
  - unauthorised access;
  - unauthorised use;
- damage to or loss of data or software, in particular any detrimental change in data, software or computer programs that is caused by a deletion, corruption or deformation of the original structure, and any business interruption losses resulting from such damage or loss; and
- damage or loss resulting from an impairment in the function, availability, range of use or accessibility of data software or computer programs, and any business interruption loss resulting from such damage or loss.

As such, the Enlarged Group may not be adequately indemnified or compensated if it sustains any such losses or damages, which in turn may adversely affect the financial position of the Enlarged Group.

The failure of third-party software and equipment which the Enlarged Group uses in its systems may cause interruptions or failures of its systems

In addition to the use of the Internet and certain telecoms networks maintained by broker carriers and other third parties for the transmission of voice and/or data traffic, the Enlarged Group also incorporates hardware, software and equipment developed by third parties into its systems. As a result, the Enlarged Group's ability to provide its services depends in part on the continued performance and support of these third-party products. If these products experience failures or contain defects, and the third parties supplying these products fail to provide adequate remedial support, this may result in the interruption or unsatisfactory performance of the Enlarged Group's systems or services.

Inadequate network resilience and diversity and backup systems may result in service disruptions

Any failure of the Enlarged Group's backup systems or any insufficiency in the Enlarged Group's redundancy capacity may disrupt the Enlarged Group's operations. Although each of the Group and CTM has disaster recovery plans in place, there can be no assurance that the Enlarged Group's existing alternative routes and cable diversity or backup systems will provide adequate backup for all kinds of service interruptions that may occur.

Moreover, even with these contingency measures, service disruptions could last for a considerable period of time before complete service can be restored. This may cause customers to reduce their use of the Enlarged Group's services, which could harm the Enlarged Group's revenues and business prospects.

Loss of significant information may adversely affect the Enlarged Group's business

In case of a failure of the Enlarged Group's data storage system, the Enlarged Group may lose mission critical network or billing data, source codes, proprietary production system designs or important email correspondences with its customers and suppliers. Each of the Group and CTM has its own disaster recovery system to replicate all its mission critical data at pre-determined intervals and performs periodic offline backups of its important data. However, mission critical data stored in its data centres may still be lost if there is a lapse or failure of the disaster recovery system in backing up these data, or if the periodic offline backup is not frequent or sufficient enough. In such circumstances, the business and reputation of the Enlarged Group may be materially adversely affected.

Capacity limits on the Enlarged Group's network and application platforms may be difficult to project and the Enlarged Group may not be able to expand or upgrade its systems to meet increasing demand

The Enlarged Group's business requires it to handle a large number of calls, SMS and other data simultaneously. In order to manage growth in the number of such calls, SMS and other data successfully, the Enlarged Group needs to enhance its operational, management, financial and information systems and controls continuously and effectively. It is difficult to predict when the capacity limits on the Enlarged Group's network and application platforms will be reached, given that the usage requirement of

CTM services depends largely on the demand from their subscribers and, in the case of the Group, the choices of telecoms operators on which hubbing service provider to use. If the Enlarged Group does not expand or upgrade its hardware and software quickly enough, it may not have sufficient capacity to handle the increasing demand and this would limit the growth of its operation and improvement of its performance. In particular, the establishment of a fully equipped data centre and the related network infrastructure is expected to take approximately six months and will be subject to the availability of capital, location, telecoms connection networks and electricity supplies. Even with sufficient expansion, the Enlarged Group may fail to manage its deployments of the latest technology or utilise it in a cost-effective manner. In addition to potential losses of growth opportunities, any such failure could adversely affect customer confidence in the Enlarged Group's capability and could result in the loss of businesses outright.

The Enlarged Group's ability to maintain and expand its telecoms services may be affected by disruption of supplies from its major suppliers

A significant portion of the Enlarged Group's supplies is expected to be derived from a limited number of suppliers. Major purchase costs of the Group relate to carrier costs, being terminating telecoms operators' fees charged against the Group. For the years ended 31 December 2010, 2011 and 2012, the Group's five largest suppliers accounted for approximately 41.9%, 37.9% and 36.0% respectively of the Group's total costs of sales (calculated by reference to "network operations and support expenses" as set out in the Group's audited financial statements), and CTM Group's five largest suppliers accounted for approximately 37%, 40% and 44% respectively of CTM Group's purchases (calculated by reference to network system costs, as determined by CTM's management, including plant and machinery, repairs and maintenance and other network system support expenses). During the same periods, the Group's largest supplier accounted for approximately 19.8%, 14.3% and 16.2% respectively of the Group's total costs of sales, and CTM's largest supplier accounted for approximately 28%, 30% and 29% respectively of CTM Group's purchases.

The Enlarged Group has not entered into long-term supply contracts with many of its major suppliers, save in respect of certain undersea cables. As such, there can be no assurance that the Enlarged Group's major suppliers will continue to provide the relevant technical support and services to the Enlarged Group. In the event that any of these suppliers cease to provide their services to the Enlarged Group, and the Enlarged Group fails to replace such suppliers, or if there are significant increases in the cost of these supplies, the Enlarged Group's business and financial position may be materially and adversely affected.

The Enlarged Group is subject to credit risk in respect of its account receivables

The Enlarged Group provides credit periods to its customers, which are calculated from the dates the invoices are issued to the dates of payment by the customers. Depending on the credit status of the customers, such credit periods generally range from 7 to 180 days in the case of the Group and from 20 to 30 days in the case of CTM Group.

Both the Group and CTM Group have a concentration of credit risk of trade and other receivables due from its largest customers. Should such customers fail to settle such receivables in full, the Enlarged Group's financial conditions and profitability could be adversely affected.

Although the Enlarged Group implements credit control policies and measures, the Enlarged Group cannot assure that these measures are adequate in protecting the Enlarged Group against material credit risks. The Enlarged Group may provide services to customers who do not provide sufficient deposits, advance payments or bank guarantees for its services. Moreover, should the Enlarged Group's customers be unable to pay in full for any reason, the Enlarged Group's profit and cashflow will be adversely affected. Any delay in the payment by customers may also adversely affect the Enlarged Group's operation and financial position. The Enlarged Group may have to sustain legal costs in pursuing unsettled invoices, a process that is time-consuming and may be affected by a variety of factors including any counterclaim from such non-paying customers, particularly in cases involving overseas customers. Even if the Enlarged Group obtains favourable judgements, enforcement of such judgements may take time and may not always be successful.

The Enlarged Group's failure to achieve or sustain market acceptance at desired pricing levels may impact its ability to maintain profitability or positive cash flow

The Enlarged Group's competitors and customers may cause the Enlarged Group to reduce the prices it charges for its services which in turn could adversely affect the Enlarged Group's profitability and cash flow. The primary sources of pricing pressure include:

- competitors offering competing services at reduced prices, or bundling and pricing services in a manner which makes it difficult for the Enlarged Group to compete;

- customers with a significant volume of transactions may have enhanced leverage in pricing negotiations with the Enlarged Group; and

- if the prices of the Enlarged Group's services are too high, potential customers may find it economically more advantageous to handle certain functions in-house instead of using the Enlarged Group's services.

The Enlarged Group may need additional capital in the future which may not be available on favourable terms

The Enlarged Group may require additional capital in the future to fund its operations, finance investments in equipment or infrastructure, or respond to competitive pressures or strategic opportunities. If the Enlarged Group does not have sufficient internal resources to fund its operations, capital expenditures and expansion, it will have to rely on external equity and debt financing. The Enlarged Group cannot be certain that additional financing will be available on terms favorable to it, or at all. Further, the terms of available debt financing may place limits on the Enlarged Group's financial and operating flexibility. If the Enlarged Group is unable to obtain sufficient capital in the future, the Enlarged Group may face the following risks:

- not being able to continue to meet customers' demands for service quality, capacity and competitive pricing;

- not being able to expand its capacity or operations or acquire complementary businesses;

- not being able to develop new services or otherwise respond competitively to changing business conditions; and

- being forced to reduce its operations.

The loss of any key members of the management team may impair the Enlarged Group's ability to identify and secure new contracts with customers or otherwise manage its business effectively

The Enlarged Group's success depends on, in part, the continued contributions of its senior management, most of whom have significant experience in the telecoms markets with in-depth knowledge of various aspects of telecoms business development. In addition, the relationships and reputation that the members of the Enlarged Group's management team have established and maintained with its customers contribute to the Enlarged Group's ability to maintain good customer relations, which is important to the direct selling strategy that the Enlarged Group adopts.

Although the Enlarged Group has entered into employment contracts with all its senior management, these contracts cannot prevent its senior management from terminating their employment. Additionally the Enlarged Group does not maintain any "key person" insurance nor have in place a succession plan. Hence, the loss of the services of a key member of the senior management team either by resignation or retirement may impair the Enlarged Group's ability to identify and secure new contracts with customers or otherwise to manage its business effectively.

The Enlarged Group's failure to recruit and retain qualified employees may undermine its ability to maintain business growth

The Group believes that an integral part of its success relies on its ability to recruit and retain employees who have advanced skills in the services that the Enlarged Group provides. In particular, the Enlarged Group must hire and retain employees with the technical expertise and industry knowledge necessary to maintain and continue to develop the Enlarged Group's operations. There can be no assurance that the Enlarged Group will be able to recruit and/or retain suitable employees in the future.

The Enlarged Group must also effectively manage the growth of its sales and marketing team to ensure the growth of its business. The Enlarged Group's business depends on, to a considerable extent, the ability of its sales and marketing team to establish direct sales channels. The Enlarged Group's success also depends on its application development team to improve and develop its services. Employees with the skills that the Enlarged Group requires are in great demand and are likely to remain a limited resource in the foreseeable future. If the Enlarged Group is unable to recruit and retain a sufficient number of these employees at all levels, its ability in maintaining and growing its business may be adversely affected.

The Enlarged Group relies on sophisticated billing and credit control systems, and any problems with these systems could interrupt the Enlarged Group's operations

Sophisticated billing and credit control systems are critical to the Enlarged Group's ability to increase revenue streams, avoid revenue loss and potential credit problems, and bill customers properly and in a timely manner. As part of the Group's initiative to diversify its product portfolio, the Group has recently implemented a large scale upgrade to its billing systems to adapt to new products. Any failure or non-performance of the upgraded billing system will adversely affect the Group's ability to collect revenue from customers in a timely manner. Further, if adequate billing and credit control systems and software programmes are unavailable, or if upgrades are delayed or not introduced in a timely manner, or if the Enlarged Group is unable to integrate such systems and software programmes into its billing and credit control systems, the Enlarged Group may experience delayed billing which may negatively affect the Enlarged Group's cash flow and other aspects of its operations.

The Enlarged Group will need to expand and adapt its billing and credit control systems to capture revenue streams as its businesses continue to grow. Failure by the Enlarged Group to do so could adversely affect its business, prospects, financial condition and results of operations. Moreover, the Enlarged Group may decide to launch certain services and products even though its billing and control systems are not yet able to fully track and bill for these services and products at the time of their launch.

The Enlarged Group's ability to provide commercially viable telecoms services depends, in part, upon various intellectual property rights owned by the Enlarged Group and those licensed from third parties

The Enlarged Group currently licenses certain technologies and other intellectual property rights from third parties. As the Enlarged Group continues to introduce new services requiring new technologies, it may need to obtain licences to use additional third-party technologies. If the Enlarged Group is unable to obtain or renew these technology licences on commercially acceptable terms, its new product and service launches could be severely compromised. Moreover, it is possible that in the course of using existing or new technologies, the Enlarged Group may inadvertently breach the intellectual property rights of others and liabilities may ensue, which may materially affect the Enlarged Group's business and financial condition.

The intellectual property rights developed or owned by or licensed to the Enlarged Group may be challenged or circumvented by competitors or other third parties, or the relevant intellectual property rights may be invalid, unenforceable or insufficiently broad to protect the Enlarged Group's interests or to provide the Enlarged Group with any competitive advantage. Any loss or withdrawal of intellectual property rights may affect the Enlarged Group's ability to provide its services and may adversely affect the Enlarged Group's financial condition, results of operations and prospects.

The Enlarged Group has not registered all the intellectual property rights in its technologies, and any unauthorised use, infringement or misappropriation of such rights by third parties may adversely affect the Enlarged Group's business

The Enlarged Group has developed a number of trademarks, copyrights, domain names, software applications and technologies. While under applicable law, copyright arises without the need of its owner to register its copyright first, intellectual property rights such as patents and trademarks must be registered with the relevant governmental authority before a person or entity can become its registered owner, and hence be protected by the relevant intellectual property laws. The registration of trademarks, domain names, software applications and technologies is therefore necessary before the Enlarged Group can enforce its intellectual property rights against unauthorised use, infringement or misappropriation of such rights. Although each of the Group and CTM has registered (or obtained the right to use, as the case may be) a number of domain names and trademarks in jurisdictions that are essential to their respective operations, the absence of registration for all of the intellectual property rights that the Enlarged Group may have over its software applications and technologies exposes the Enlarged Group to the possible unauthorised use, infringement or misappropriation of its marks and technologies to which the Enlarged Group cannot effectively enforce its rights. This may result in the revenue-generating intellectual property rights being used and developed by third parties for their own business purposes and the Enlarged Group's business may therefore be adversely affected.

The Enlarged Group may not be able to sustain its existing sales margins

For the years ended 31 December 2010, 2011 and 2012, the Group achieved sales margins (meaning, in the context of the Group, the amount of turnover minus network, operations and support expenses as percentage of turnover) of approximately 31.2%, 30.7% and 30.0% respectively, and CTM Group achieved sales margins (meaning, in the context of CTM Group, turnover minus cost of sales, as a percentage of turnover) of approximately 58.5%, 44.8% and 37.4% respectively. However, there can be no assurance that the Enlarged Group will be able to sustain these sales margins in the future due to the likelihood of rapid changes in the telecoms industry and the keen competition in the industry. In the event that the Enlarged Group is unable to develop new services with high sales margins or if its services are substituted or are otherwise adversely affected by similar or superior services developed by its competitors, the Enlarged Group may not be able to sustain its existing sales margins respectively.

Significant decline in handset sales may impact CTM's sales and its cashflow and working capital

CTM presently relies on the sale of handsets to generate a significant portion of its revenue, representing 17.8%, 38.1% and 51.2% of its consolidated turnover for the years ended 31 December 2010, 2011 and 2012, respectively. The sale of handsets also provides CTM with an opportunity to cross-sell complementing carrier services to new customers.

As such, any circumstance, including any slowdown in the introduction of new smartphones, that results in a significant decline in handset sales may adversely affect the revenue generated by CTM and negatively impact its cashflow and working capital.

The Group depends on major customers for a significant portion of its business and the loss of any of such customers could materially and adversely affect the business and financial position of the Group

A significant portion of the Group's turnover has been, and is expected to continue to be, derived from a limited number of customers. For the years ended 31 December 2010, 2011 and 2012, sales attributable to the Group's largest customer accounted for approximately 15.4%, 16.1% and 20.8% of the Group's total turnover respectively, and for the same periods, sales attributable to the Group's five largest customers accounted for approximately 40.0%, 40.3% and 38.7% of the Group's turnover respectively. Most of these customers are major operators of telecoms services in the Asia Pacific region. There can be no assurance that the Group's major customers will continue to use the Group's services. In the event that any of these customers cease to use the services of the Group and the Group fails to replace such customers, the business, financial position, results of operations and prospects of the Group may be materially and adversely affected.

In addition, some of the Group's major telecoms operator customers have begun to expand the scope of their businesses from traditional carrier services to include network and hub-based services and data related services. These moves may result in a degree of disintermediation, as well as increased competition for the Group, both of which could have an adverse effect on the Group's business and results of operations.

The proliferation of Internet-enabled applications may have a negative impact on the Group's SMS segment

The increasing adoption of Internet-enabled applications for smartphones has presented challenges to the Group's SMS segment in certain regions. For example, Hong Kong local SMS volume has declined due to the continued penetration of smartphone devices. Whilst the general preference for international SMS and Application to Person (A2P) SMS has helped to offset the decline in local SMS traffic, there is no guarantee that Internet-enabled applications will not continue to grow in scope and to negatively impact the Group's revenues from SMS operations.

A decline in the volume of transactions the Group handles may have an adverse effect on its results of operations

The Group generates revenues for the majority of its services on a usage basis. Though the Group has entered into service contracts with some of its customers that contain terms specifying minimum usage requirements or commitment arrangements between the Group and its customers, the majority of the Group's contracts with its customers do not contain such terms. As such, the Group is not protected against the potential adverse effect on its revenues as a result of a decrease in the transaction volumes provided by its customers.

In addition, if telecoms operators develop internal systems to address their business needs or establish direct links with their counterparts, or if the cost of using the Group's services makes it not economical for a telecoms operator to use the Group's services, the Group may experience a reduction in its business volumes.

The Group may not be successful in expanding into overseas markets and this could adversely affect the Group's prospects and financial results

The strategy of the Group involves the growth of its operations in overseas countries and markets, in particular in markets with higher growth potential such as China. In recent years, the Group has opened offices and/or acquired operations in 10 countries/areas, namely, the United Kingdom, US, Canada, Vietnam, Taiwan, Japan, Singapore, Malaysia, Brazil and China. There can be no assurance that this expansion will be successful. International operations and business expansion plans are subject to additional risks, such as differences in legal and regulatory and licensing requirements, insufficiency of intellectual property protection, potentially adverse tax consequences, fluctuations in currency exchange rates, difficulty in enforcing agreements and collecting receivables in certain legal systems, differences in legal burdens in complying with foreign laws and regulations, and changes in political and economic conditions.

In addition, the technologies involved in the services which the Group intends to launch overseas may already be patented overseas. There can be no assurance that the Group will be able to receive or retain licences or authorisations that may be required for the Group to provide its services in other countries. In addition, the Group cannot ensure that it will be able to anticipate and manage all these risks and other risks associated with its expansion into overseas markets, and the deployment of human and financial resources in pursuing such expansion may have a material and adverse impact on the Group.

Currency fluctuations could adversely affect the Group's results of operations

Although a substantial portion of the Group's turnover and cost of sales are denominated in U.S. dollar, the Hong Kong dollar has been pegged to the U.S. dollar since 1983. In addition, the Group's financial assets, financial liabilities and transactions are mainly denominated either in Hong Kong dollars or U.S. dollars. However, there is no assurance that such a peg will be maintained in the future. Therefore, the Group's results of operations and ability to discharge its obligations could be adversely affected by the discontinuation or revaluation of the peg between the Hong Kong dollar and the U.S. dollar. In addition, even if the peg continues, the Group's operating costs could be adversely affected by substantial fluctuations in the U.S. dollar.

RISKS RELATING TO THE INDUSTRY

The Enlarged Group operates in a highly regulated business and requires licences from the Communications Authority and the Macau Government, without which they would be unable to operate

The Group is subject to the rules and regulations of the Communications Authority ("**CA**"), which regulates the telecoms industry in Hong Kong, and the Office of the Communication Authority ("**OFCA**"), which assists the CA in enforcing and administering the Telecommunications Ordinance. Under the Telecommunications Ordinance, the CA, on the basis of the powers originally conferred to the Telecommunications Authority, has certain discretionary powers to direct the Group to undertake and provide certain interconnection services and facilities and to impose the terms and conditions of interconnection. If the CA determines that the Group has violated Hong Kong's telecoms laws or regulations or the conditions of its licences, the CA may suspend or cancel the Group's licences or take other action detrimental to the Group. In December 2011, CA decided to introduce a new regulatory regime on LAC (local access charges), whereby both FNOs (fixed network operators) and MNOs (mobile network operators), with effect from 1 July 2013, would be entitled to collect LAC at level to be set by commercial agreement. At present, only FNOs collect LAC in practice. The Group has commenced negotiations with the MNOs to set the level of LAC. However, there can be no assurance that the Group will be able to reach agreements with the MNOs on commercially acceptable terms or at all and in such case, the Group's operations may be adversely affected. In addition, the SBO (Service-Based Operator) licences granted by OFCA to a subsidiary of the Company are normally valid for one year, subject to renewal at the discretion of OFCA and compliance of all terms and conditions of the licences.

In the event that OFCA refuses to renew any of the existing licences of the Group, the Group's ability to offer its services will be adversely affected. The Chief Executive in Council may also cancel or suspend licences if it considers that it is in the public interest to do so.

CTM currently has the right granted from the Macau Government to provide local and international switched fixed voice and data services on a non-exclusive basis, without interruption, for a period of five years from 1 January 2012 until 31 December 2016, automatically renewable for another five-year period until 31 December 2021 except in case of serious breach by CTM of the relevant laws and regulations or for duly justified imperative reasons of public interest. CTM also operates under licences from the Macau Government to provide mobile services in competition with other operators in Macau. The licence for GSM (Global System for Mobile Communications) 2G (Second Generation) mobile services is valid until 4 June 2015 and the licence for WCDMA (Wideband Code Division Multiple Access) 3G (Third Generation) mobile services is valid until 5 June 2015. In the event that the Macau Government refuses to renew any of the existing licences of CTM when they expire, CTM's ability to offer its services will be adversely affected.

Moreover, if the CA or Macau Government changes its existing regulations or policies, the Enlarged Group could be adversely affected. The Enlarged Group may also incur extra costs in order to comply with technical specifications or other conditions resulting from any enacted or proposed changes in the applicable laws and regulations. As a result of any of the above, the Enlarged Group's business, financial condition, results of operations and prospects may be adversely affected. The business of the Enlarged Group's customers is also subject to regulations. As a result, such regulations could indirectly affect the Enlarged Group's business. As communications technologies and the telecoms industry continue to evolve, the regulations governing the telecoms industry may change. If this were to occur, the demand for the Enlarged Group's services could change in ways that the Enlarged Group cannot easily predict and may result in a decline in the Enlarged Group's revenues.

Risk of upward adjustments to royalty payments made by CTM under the Macau Concession

The Macau government is reviewing CTM's royalty payment under the Macau Concession and other licences back from 2001, alleging that payments that have been made by CTM were only on a provisional basis and subject to final approval. No provisions have been made in CTM Group's accounts for such adjustment. In addition, the Macau government is proposing to apply royalty on the services included in the new fixed network licence which will likely be issued in 2013. There is a potential risk that the historic and future royalty payments may be adjusted upwards by the Macau Government and CTM Group's financial performance may be adversely affected.

Consolidation among the Group's customers may cause the Group to lose transaction volume

As a hub-based service provider, the primary business of the Group is derived from exchange of voice and data transmission between telecoms operators. Consolidations, mergers and acquisition activities among telecoms operators typically reduce their needs for interconnection services. Therefore, these types of corporate activities may cause the Group to lose transmission volume or may cause the Group to reduce per-transmission prices for its services.

Regulatory changes for the telecoms industry in China may adversely affect the Group's business in China

The Group's ability to successfully maintain and develop its services in China and to do business with telecoms operators in China may be affected by PRC laws. In particular, the laws governing China's telecoms industry are evolving, and the laws governing China's Internet industry remain underdeveloped. There can be no assurance whether and to what extent PRC law will affect the Group's services in China or the telecoms operators in China that in turn may affect the Group's business with them.

Issues may also arise regarding the interpretation and enforcement of China's World Trade Organization commitments regarding telecoms services, which may affect telecoms regulations and the telecoms industry in China. Any future regulatory changes, such as those relating to the issuance of additional telecoms licences, tariff setting, interconnection and settlement arrangements, changes in technical and service standards, universal service obligations and spectrum and number allocations, may have a material adverse effect on the Group's business and operations.

Developments of VoIP and other OTT applications may affect the volume and quality of hubbing services provided by the Group

The Group believes that VoIP is one of the important emerging trends in telecommunications. However, if VoIP continues to grow to dominate the international retail voice market, the Group's international wholesale voice hubbing services may be adversely affected. To mitigate the impact, the Group has made considerable efforts in developing its VoIP-compatible platform. Whilst the Group has thus far benefitted from this trend by providing interoperability and hubbing services to connect originating VoIP calls to fixed-line or mobile recipients or vice versa, the rapid growth of OTT (over-the-top) players who use the public Internet to connect callers, cutting out the need to pay for international transit and termination separately, has posed further challenges to the Group. The rapid growth of OTT players and developments in OTT applications may also reduce demand for the Group's SMS hubbing services, including IOSMS (Inter-operator SMS). If the Group fails to implement an effective strategy to meet such challenges, its sales margins may be materially and adversely affected. Further, the quality of the Group's interoperability and hubbing services may be affected due to certain inherent risks of VoIP which include lack of satisfactory security measures and service quality (such as jitters, packet loss, duplicate packets and packet delay).

If technological improvements in VoIP cannot reduce or eliminate the inherent risks of VoIP, the Group's efforts in developing its VoIP-compatible platform may not generate expected favourable results and sales margins may thereby be negatively affected.

RISKS RELATING TO ECONOMY AND POLITICS

The Enlarged Group's performance and financial condition are affected by the state of the global economy, in particular the economies of Hong Kong, Macau and the PRC

The Group's primary facilities and operations are located in Hong Kong and the majority of its turnover is derived from the PRC, while CTM's primary facilities and operations are located in Macau. The Enlarged Group's results of operations and financial condition therefore depend on the economies of Hong Kong, Macau and the PRC.

The Chinese economy has historically been a planned economy. A substantial portion of productive assets in China are still owned by various levels of the PRC Government. In recent years, the government has implemented economic reform measures emphasising decentralisation, utilisation of market forces in the development of the economy and a high level of management autonomy. Such economic reform measures may be inconsistent or ineffectual, and the Group may not benefit from all such reforms. Furthermore, these measures may be adjusted or modified, possibly resulting in such economic liberalisation measures being applied inconsistently from industry to industry, or across different regions of the country.

In the past twenty-five years, China has been one of the world's fastest growing economies in terms of gross domestic product, or GDP (gross domestic product). However, China's GDP growth in 2012 was the weakest since 1999 and the Group cannot assure that such growth will be sustained in the future. The Group's financial condition and results of operation, as well as the Group's future prospects, would be materially and adversely affected by an economic downturn in China.

Economic growth in China has also historically been accompanied by periods of high inflation. The government has implemented various policies from time to time to control the rate of economic growth, limit inflation and otherwise regulate economic expansion. Some of these measures, while benefiting the overall economy of China, may have a negative effect on the Group.

Any reduction in telephone calls into and out of the PRC as a result of diminished business activity and, to a lesser extent, reduced international travel resulting in a decline in the provision of roaming services, have had and may continue to have a negative impact on the Group's financial condition and results of operations.

The economy of Macau is significantly affected by the developments in China and the Asia Pacific region. China's economy may experience negative economic developments, and other regional economies may also deteriorate. In such circumstances, Macau's economy and hence the Enlarged Group's operating results, financial condition, business and prospects would be adversely affected.

The Group also has significant operations across the Asia-Pacific region and part of its growth strategy is to expand into new regions, in particular emerging markets such as Latin America, the Middle East and Africa. These regions have also been adversely affected by the global economic slowdown and any continued slowdown may have an adverse effect on the Group's existing operations in, and planned expansion into, these regions.

Political conditions in Hong Kong, Macau, PRC and the Asia-Pacific region, as well as other markets into which the Enlarged Group has expanded or plans to expand its operations, may adversely affect the Enlarged Group's performance and financial condition

Hong Kong and Macau are special administrative regions of the PRC each with its own government and legislature. However, there is no assurance that Hong Kong and Macau will continue to enjoy their current levels of autonomy from the PRC. If they do not, this could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

A key element of the Group's international business strategy involves the expansion of its operations in the Asia-Pacific region and into other emerging markets such as Latin America, the Middle East and Africa. Changes in the political conditions in these regions are difficult to predict and may adversely affect the Group's operations or cause this region to become less attractive to businesses, which may in turn reduce its revenue. The Enlarged Group's operations in these markets expose the Enlarged Group to certain additional risks inherent in its international operations, including:

- difficulties in enforcing agreements and collecting receivables through some legal systems;
- fluctuations in foreign currency exchange rates, which may adversely affect the Enlarged Group's results of operations;
- implementation of foreign exchange controls or other restrictions within these regions; and
- difficulties in obtaining licences or interconnection arrangements on acceptable terms, or at all.

Any of the above risks may adversely affect the Enlarged Group's business, financial condition and results of operations.

Telecoms revenue may be adversely affected by increases in carrier charges in China

In China, maximum tariffs for all domestic and international long distance services offered through fixed lines and mobile networks are jointly set by the Ministry of Industry and Information Technology of the PRC and the National Development and Reform Commission (and the local administrative bureau). Certain tariffs payable by the Group to its carrier partners are based, among other things, on the maximum tariffs set by these agencies with respect to the calls subscribers make to or from persons in China. For the years ended 31 December 2010, 2011 and 2012, the Group handled a total of approximately 10,222 million, 9,101 million and 8,656 million minutes of voice traffic, respectively, of which approximately 8,426 million, 7,272 million and 6,154 million minutes were China in-bound and out-bound voice traffic. The Group cannot predict the timing, likelihood or magnitude of any adjustments to the maximum tariffs that may be imposed by the Ministry of Industry and Information Technology of the PRC and the National Development and Reform Commission, nor can it predict the extent or potential impact upon its business of any future increases in the maximum tariffs. Such increases may lead to a decrease in traffic, reduce our revenues and adversely affect the Group's business and results of operations. In addition, if the Group is unable to effectively manage the increased network costs, the profit margins of its business could be adversely affected.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

As mentioned, the Underwriting Agreement contains provisions granting the Joint Underwriters a right to terminate their obligations under the Underwriting Agreement upon the occurrence of certain events. Please refer to the section headed "Termination of the Underwriting Agreement" of this Prospectus for further details.

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If this condition is not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

The Shares have been dealt in on an ex-rights basis from 8 May 2013. Dealings in the Rights Shares in the nil-paid form are expected to take place from 20 May 2013 to 27 May 2013 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled (or waived), the Underwriting Agreement will terminate and the Rights Issue will not proceed. If the Underwriting Agreement is terminated by the Joint Underwriters, the Rights Issue also will not proceed.

Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any person who is in doubt about his/her/its position or any action to be taken is advised to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters' right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. If in any doubt, investors are advised to consult their professional advisers.

中信國際電訊集團有限公司
CITIC TELECOM INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 01883)

Directors:
Xin Yue Jiang *(Chairman)*
Yuen Kee Tong *(Chief Executive Officer)*
Chan Tin Wai, David *(Chief Financial Officer)*
Liu Jifu*
Luo Ning*
Yang Xianzu**
Liu Li Qing**
Kwong Che Keung, Gordon**

* *Non-executive Director*
** *Independent non-executive Director*

Registered Office:
25th Floor
CITIC Telecom Tower
93 Kwai Fuk Road
Kwai Chung
New Territories
Hong Kong

15 May 2013

To the Qualifying Shareholders, and, for information only,
the Non-Qualifying Shareholders,

Dear Sir or Madam,

RIGHTS ISSUE OF RIGHTS SHARES AT THE SUBSCRIPTION PRICE OF HK$2.02 EACH ON THE BASIS OF 3 RIGHTS SHARES FOR EVERY 8 EXISTING SHARES HELD ON THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE

INTRODUCTION

As announced in the Announcement, the Company proposes to raise not less than approximately HK$1,824.8 million before expenses, and not more than approximately HK$1,847.0 million before expenses, by way of a rights issue of not less than 903,375,326 Rights Shares and not more than 914,378,763 Rights Shares on the basis of 3 Rights Shares for every 8 existing Shares held by Qualifying Shareholders on the Record Date at the Subscription Price of HK$2.02 per Rights Share.

The purpose of this Prospectus is to provide you with further information regarding the Rights Issue, including information on dealings in, transfer of and application for the Rights Shares, and certain financial information and other information in respect of the Group.

1. RIGHTS ISSUE

The Rights Issue is subject to the fulfillment of the conditions as set out in the paragraph headed "Letter from the Board – Conditions of the Rights Issue and the Underwriting Agreement" in this Prospectus.

(a) Issue statistics

Basis of the Rights Issue	:	3 Rights Shares for every 8 existing Shares held on the Record Date
Subscription Price	:	HK$2.02 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	2,409,928,870 Shares
Number of Rights Shares as at the Latest Practicable Date	:	903,723,326 Rights Shares
Aggregate nominal value of the Rights Shares as at the Latest Practicable Date	:	HK$90,372,333
Enlarged issued share capital upon completion of the Rights Issue (based on the number of Shares in issue as at the Latest Practicable Date)	:	3,313,652,196 Shares
Joint Financial Advisers	:	CITIC Securities Corporate Finance and Standard Chartered
Joint Global Coordinators and Joint Underwriters	:	CITIC Securities Corporate Finance, Standard Chartered, DBS, Deutsche Bank and UBS

(b) Subscription Price

The Subscription Price of HK$2.02 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or, where applicable, upon application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

(i) a discount of approximately 26.0% to the closing price of HK$2.73 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 26.8% to the closing price of HK$2.76 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 26.3% to the average of the closing prices per Share as quoted on the Stock Exchange for the five previous consecutive trading days up to and including the Last Trading Day of approximately HK$2.74;

(iv) a discount of approximately 28.1% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten previous consecutive trading days up to and including the Last Trading Day of approximately HK$2.81; and

(v) a discount of approximately 21.1% to the theoretical ex-rights price of approximately HK$2.56 per Share based on the closing price of HK$2.76 per Share as quoted on the Stock Exchange on the Last Trading Day.

The consolidated net asset value of the Group as at 31 December 2012 was approximately HK$3,421 million. The number of Shares in issue as at the Latest Practicable Date was 2,409,928,870. On that basis, the consolidated net asset value of the Group per Share as at 31 December 2012 based on the number of Shares in issue as at the Latest Practicable Date is approximately HK$1.42. Each Rights Share will have a par value of HK$0.10.

The Subscription Price was determined by the Directors with reference to the current market environment, recent financial conditions of the Group and the prevailing Share prices. As each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date, the Directors further consider that the discount reflected in the Subscription Price as compared to the prevailing Share prices could enhance the attractiveness of the Rights Issue and encourage Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their pro-rata shareholding in the Company.

After taking into consideration the reasons for the Rights Issue as stated in the paragraph headed "Letter from the Board – Reasons for the Rights Issue and Use of Proceeds" below, the Directors consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above) and in the context of the Company's long-term business strategy, to be fair and reasonable to, and in the best interests of, the Company and the Shareholders as a whole. The Directors intend to take up their entitlements under the Rights Issue (if any) in full.

(c) Basis of provisional allotment

The basis of the provisional allotment shall be 3 Rights Shares for every 8 existing Shares on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for. Please refer to the section headed "Procedures for acceptance or transfer and application for excess Rights Shares" in this Prospectus for further details.

(d) Qualifying Shareholders

The Rights Issue is only available to Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at close of business on the Record Date and not be a Non-Qualifying Shareholder.

Qualifying Shareholders who take up their pro-rata entitlements in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up his/her/its entitlement under the Rights Issue in full, his/her/its proportionate shareholding in the Company will be diluted.

(e) Non-Qualifying Shareholders

Non-Qualifying Shareholders are those Shareholders with registered addresses in, or Shareholders or Beneficial Owners who are otherwise known by the Company to be residents of, places outside Hong Kong and in respect of whom the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to offer the Rights Issue to such Shareholders or Beneficial Owners on account either of the legal restrictions under the laws of the relevant places in which the Shareholders or Beneficial Owners are located or the requirements of the relevant regulatory body or stock exchange in those places.

The Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions including the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Rights Shares to the Shareholders in those territories. Having considered the circumstances, the Directors have formed the view that, other than subject to certain limited exceptions as described below, it is necessary or expedient to restrict the ability of Shareholders in the Specified Territories to take up their rights under the Rights Issue due to the time and costs involved in the registration of this Prospectus and/or compliance with relevant local legal or regulatory requirements in those territories.

Accordingly, for the purposes of the Rights Issue, Non-Qualifying Shareholders are:

(i) Shareholders whose name(s) appeared in the register of members of the Company at close of business on the Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories, except for those Shareholders who fulfil, to the satisfaction of the Company, the relevant requirements specified in the section headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" below; and

(ii) any Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise known by the Company to be resident in any of the Specified Territories, except for those Shareholders or Beneficial Owners who fulfil, to the satisfaction of the Company, the relevant requirements specified in the section headed "Notices" in this Prospectus and the section headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" below.

Notwithstanding any other provision in this Prospectus or the PAL or the EAF, the Company reserves the right to permit any Shareholder to take up his/her/its entitlement to Rights Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If the Company is so satisfied, the Company will, if requested, arrange for the relevant Shareholder to be sent a PAL and an EAF.

Rights Shares have been provisionally allotted to all Shareholders whom the Company considers are Qualifying Shareholders. In respect of those Shareholders whose name(s) appeared in the register of members of the Company at close of business on the Record Date and whose address(es) as shown in such register is/are in any of the Specified Territories except for those who fulfil, to the satisfaction of the Company, the relevant requirements specified in the section headed "Letter of the Board — Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue" in this Prospectus, the Rights Shares which would otherwise have been provisionally allotted to them have instead been provisionally allotted to a nominee and will be sold in the market in their nil-paid form in accordance with the procedures described in the section headed "Procedures for acceptance or transfer and application for excess Rights Shares" in this Prospectus. PALs and EAFs have not been, and will not be, sent to Shareholders with address(es) in, or who are otherwise known to the Company to be resident in any of the Specified Territories except where the Company is satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdictions.

Receipt of this Prospectus and/or a PAL and/or an EAF or the crediting of nil-paid Rights Shares to a stock account in CCASS does not and will not constitute an offer in those jurisdictions where the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to offer the Rights Issue to Shareholders in such jurisdictions and, in those circumstances, this Prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, custodians, nominees and trustees) who receive a copy of this Prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or from, or transfer nil-paid Rights Shares to any person in, into or from, any of the Specified Territories. If a PAL or an EAF or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her agent or nominee, he/she should not seek to take up the rights referred to in the PAL or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer the nil-paid Rights Shares in CCASS unless the Company determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Prospectus or a PAL and/or an EAF in, into or from any of the Specified Territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph headed "Letter from the Board – Non-Qualifying Shareholders".

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium over the expenses of sale can be obtained. Proceeds of such sale, less expenses and stamp duty, above HK$100 will be paid to the relevant Non-Qualifying Shareholders in Hong Kong dollars (pro rata to their respective shareholdings). The Company will retain individual amounts of HK$100 or less than HK$100 for the benefit of the Company. Any unsold entitlements of Non-Qualifying Shareholders will be available for excess application by Qualifying Shareholders under an EAF.

(f) Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue

Notwithstanding the paragraph headed "Letter from the Board – Non-Qualifying Shareholders" above, the following limited categories of persons in the Specified Territories may be able to take up their rights under the Rights Issue:

Some Shareholders and Beneficial Owners, as the case may be, in the US whom the Company believes reasonably are "qualified institutional buyers" within the meaning of Rule 144A of the Securities Act may be able to purchase Rights Shares being offered in the Rights Issue (pursuant to the exercise of rights granted under the Rights Issue) by way of a private placement pursuant to section 4(a)(2) under the Securities Act.

Notwithstanding the foregoing, the Company reserves the absolute discretion in determining whether to allow any participations in the Rights Issue as well as the identity of the persons who may be allowed to do so in any of the Specified Territories. Shareholders and/or Beneficial Owners in any of the Specified Territories may still participate in the Rights Issue, subject to the Company's discretion, provided that such Shareholders/Beneficial Owners are able to provide the Company with evidences that, to the Company's satisfaction, they fulfil relevant requirements in relevant jurisdiction(s). For Beneficial Owners in any of the Specified Territories who want to participate in the Rights Issue, please contact your Intermediary for the necessary arrangements.

Please refer to the section headed "Procedures for acceptance or transfer and application for excess Rights Shares" in this Prospectus for details of the relevant acceptance and application procedures.

(g) Distribution of Rights Issue Documents

The Company will only send this Prospectus accompanied by the other Rights Issue Documents to Qualifying Shareholders. However, the Company will, to the extent practicable and as permitted by law, send this Prospectus (without the PAL or the EAF) to Non-Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date, for information purposes only.

This Prospectus will not be sent to any Shareholders or Beneficial Owners in the US.

Distribution of this Prospectus and the other Rights Issue Documents into jurisdictions other than Hong Kong may be restricted by law. Persons into whose possession the Rights Issue Documents come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder or Beneficial Owner who is in any doubt as to his/her position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Company, this Prospectus should not be distributed, forwarded to or transmitted in, into or from any of the Specified Territories together with the PAL or the EAF.

The Rights Issue Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

(h) Fractions of the Rights Shares

The Company will not provisionally allot and will not accept applications for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to Ting Hong Nominees Limited, a subsidiary of DBS Bank (Hong Kong)

Limited, as nominee of the Company, and will be sold in the market and the proceeds will be retained by the Company for its own benefit, if a net premium can be obtained. Any unsold Rights Shares arising from such aggregation will be made available for excess application by Qualifying Shareholders. No odd lot matching services will be provided.

(i) Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

(j) Application for listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. Both nil-paid Rights Shares and fully-paid Rights Shares are expected to be traded in board lots of 1,000 (as the Shares are currently traded on the Stock Exchange in board lots of 1,000). No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

(k) Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

(l) Stamp duty and other applicable fees and charges

Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy and other applicable fees and charges in Hong Kong.

(m) Certificates for the Rights Shares and Refund Cheques

Subject to the fulfillment of the conditions of the Rights Issue as set out below, Share certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before 7 June 2013 to allottees and those entitled thereto at their own risk.

Applicants will receive one share certificate for all the Rights Shares issued to him/her/it.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be sent by ordinary post on or before 7 June 2013 to the applicants at their own risk.

2. UNDERWRITING ARRANGEMENT

On 22 April 2013, the Company and the Joint Underwriters entered into the Underwriting Agreement in respect of the Rights Issue on terms set out below.

(a) The Underwriting Agreement

Date	:	22 April 2013
Joint Underwriters	:	CITIC Securities Corporate Finance, Standard Chartered, DBS, Deutsche Bank and UBS
Number of Rights Shares underwritten	:	The Rights Issue (other than the Rights Shares that are subject to the Irrevocable Undertakings), being 361,629,188 Rights Shares, will be fully underwritten by the Joint Underwriters. The Underwritten Shares will be underwritten by the Joint Underwriters in equal portions.
Joint Underwriters' commission	:	2% of the aggregate Subscription Price of the maximum number of Underwritten Shares

Subject to the fulfillment of the conditions (or any waiver, as the case may be, by the Joint Underwriters) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Joint Underwriters have agreed to subscribe or procure the subscription for all Underwritten Shares that are not taken up by Qualifying Shareholders or renouncees or transferees of the nil-paid Rights Shares.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Standard Chartered, DBS, Deutsche Bank and UBS are independent third parties and are not connected persons of the Company. CITIC Securities Corporate Finance is indirectly wholly-owned by CITIC Securities Company Limited, which is indirectly owned as to approximately 21% by CITIC Group Corporation, which is the Company's ultimate holding company. CITIC Securities Corporate Finance is otherwise an independent third party, and it is not a connected person of the Company and thus the underwriting arrangement with CITIC Securities Corporate Finance is not a connected transaction for the Company.

(b) Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The obligations of the Joint Underwriters under the Underwriting Agreement are conditional upon:

(i) publication of the Announcement pursuant to the Listing Rules by no later than 11:00 p.m. on the date of the Underwriting Agreement;

(ii) permission to deal in and listing of all the Rights Shares (in their nil-paid and fullypaid forms) being granted (subject only to allotment and despatch of the appropriate documents of title) by the Stock Exchange by no later than the business day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms respectively) and such permission not being withdrawn or revoked prior to the Latest Time for Termination;

(iii) the Stock Exchange issuing a certificate authorising registration of the Prospectus with the Hong Kong Companies Registry under section 38D of the Companies Ordinance not later than the Record Date (or such later time and/or date as the Company and the Joint Underwriters may agree in writing) and, following registration of the Prospectus, a copy of the Prospectus having been submitted to the Stock Exchange for publication on its website not later than the date of the Prospectus (or such later time and/or date as the Company and the Joint Underwriters may agree in writing);

(iv) a duly certified copy of the Prospectus (and other required documents) having been lodged with the Hong Kong Companies Registry not later than the Record Date (or such later time and/or date as the Company and the Joint Underwriters may agree in writing), and the Hong Kong Companies Registry issuing a confirmation of registration letter not later than the Record Date (or such later time and/or date as the Company and the Joint Underwriters may agree in writing);

(v) the Rights Shares (in nil-paid and fully-paid forms) being admitted as eligible securities for deposit, clearance and settlement in CCASS on or before the business day prior to their respective commencement of dealing and no notification having been received by the Company from

HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;

(vi) the representations, warranties or undertakings of the Company set out in the Underwriting Agreement being true and accurate and not misleading in any respect on and as of the date of the Underwriting Agreement and at any time before the Latest Time for Termination, as though they had been given and made at such time by reference to the facts and circumstances then subsisting;

(vii) compliance by the Company with its obligations under the Underwriting Agreement; and

(viii) compliance by the Undertaking Shareholders with their obligations under the Irrevocable Undertakings.

If any of the above conditions has not been fulfilled or waived in accordance with the terms of the Underwriting Agreement by the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of certain rights and obligations under the Underwriting Agreement) and the Rights Issue will not proceed.

(c) Termination of the Underwriting Agreement

The Joint Underwriters may terminate the arrangements set out in the Underwriting Agreement by written notice to the Company at any time prior to the Latest Time for Termination upon occurrence of certain events. Please refer to the section headed "Termination of the Underwriting Agreement" of this Prospectus for further details.

(d) Lock up provisions under the Underwriting Agreement

The Company has undertaken to the Joint Underwriters that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days from the date of commencement of dealing in Rights Shares in fully-paid form, the Company shall not (except for the Rights Shares):

(i) undertake any consolidation or subdivision of its share capital, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares (except any Shares, Share Options or other securities or rights issued or granted under the Share Option Scheme);

(ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or

(iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

unless with the prior written consent of the Joint Underwriters (such consent not to be unreasonably withheld or delayed).

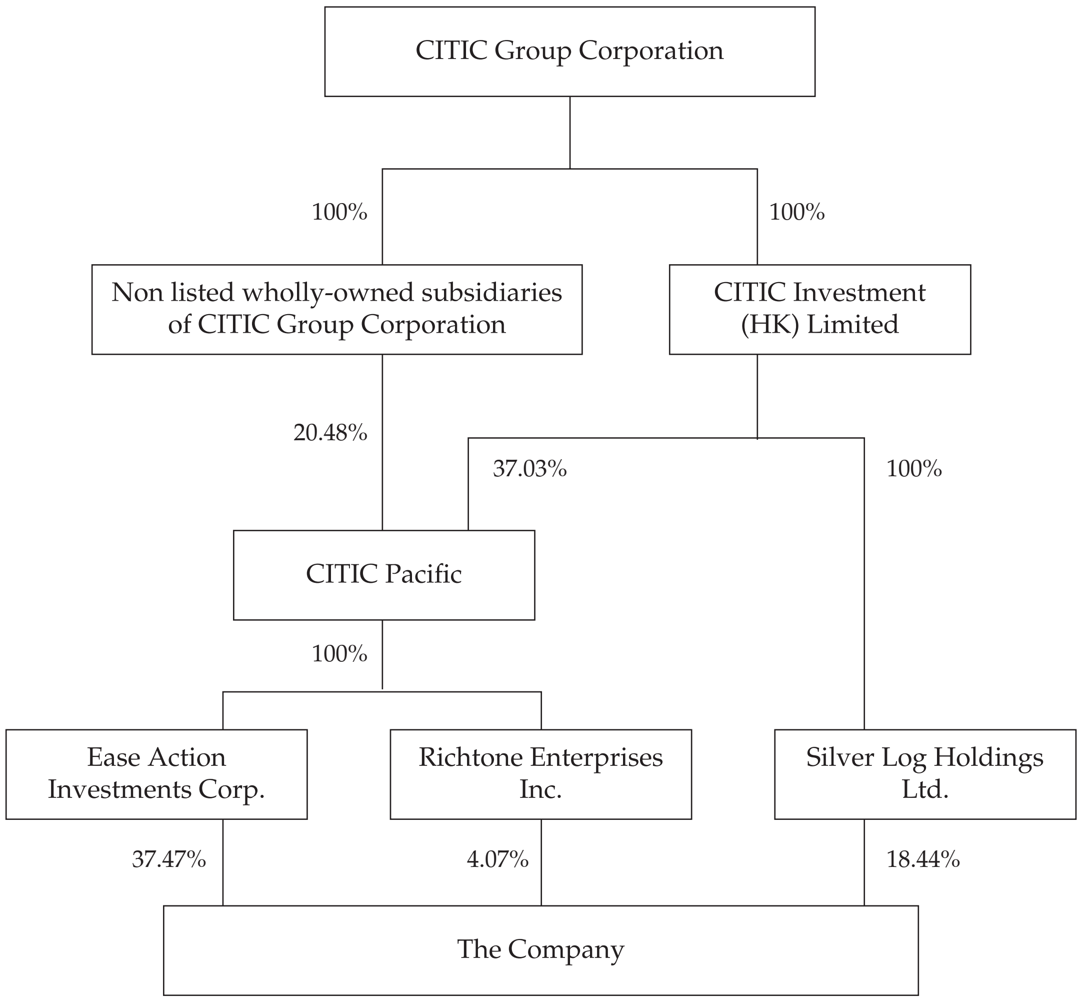
3. IRREVOCABLE UNDERTAKINGS TO TAKE UP RIGHTS SHARES

As at the Latest Practicable Date, CITIC Group Corporation and CITIC Pacific together held (via their respective holding vehicles) an aggregate of 1,445,584,370 Shares, representing approximately 59.98% of the issued share capital of the Company.

Ease Action Investments Corp. and Richtone Enterprises Inc. are indirectly wholly-owned subsidiaries of CITIC Pacific, and together held an aggregate of 1,001,084,370 Shares (representing approximately 41.54% of the issued share capital of the Company) as at the Latest Practicable Date. They have each given an irrevocable undertaking to the Company and the Joint Underwriters that, among other things, it will take up the Rights Shares to be provisionally allotted to it (i.e. in aggregate 375,406,638 Rights Shares, representing their full entitlements to the new Shares under the Rights Issue).

Silver Log Holdings Ltd. is an indirectly wholly-owned subsidiary of CITIC Group Corporation, and held 444,500,000 Shares (representing approximately 18.44% of the issued share capital of the Company) as at the Latest Practicable Date. CITIC Group Corporation also had an indirect interest of approximately 57.51% in CITIC Pacific as at the Latest Practicable Date. Silver Log Holdings Ltd. has given an irrevocable undertaking to the Company and the Joint Underwriters that, among other things, it will take up the Rights Shares to be provisionally allotted to it (i.e. 166,687,500 Rights Shares, representing its full entitlement to the new Shares under the Rights Issue).

The following chart shows the relationship between the Company and the Undertaking Shareholders as at the Latest Practicable Date:



Save for the undertakings mentioned above, the Company has not obtained any undertakings from any other Shareholders to subscribe for any or all of the Rights Shares to be provisionally allotted to them.

4. EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDINGS IN THE COMPANY

The changes in the shareholding structure of the Company arising from the Rights Issue are as follows:

	Existing shareholding as at the Latest Practicable Date *(Note 1)*		Immediately after completion of the Rights Issue (assuming 0% of Rights Shares will be taken up by Qualifying Shareholders (other than the relevant Shareholders which are subject to the Irrevocable Undertakings)) *(Note 1)*		Immediately after completion of the Rights Issue (assuming 100% of Rights Shares will be taken up by Qualifying Shareholders) *(Note 1)*	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Ease Action Investments Corp.	903,018,087	37.47	1,241,649,869	37.47	1,241,649,869	37.47
Richtone Enterprises Inc.	98,066,283	4.07	134,841,139	4.07	134,841,139	4.07
Silver Log Holdings Ltd.	444,500,000	18.44	611,187,500	18.44	611,187,500	18.44
Directors	502,000	0.02	502,000	0.02	690,250	0.02
Joint Underwriters *(Note 2)*	–	0.00	361,629,188	10.91	–	0.00
Public Shareholders	963,842,500	39.99	963,842,500	29.09	1,325,283,438	39.99
Total	2,409,928,870	100.00	3,313,652,196	100.00	3,313,652,196	100.00

Notes:

(1) Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

(2) Pursuant to the Joint Underwriters' underwriting obligations under the Underwriting Agreement.

5. INFORMATION ON THE GROUP

The Group

The Group is one of Asia's leading telecoms service providers specialising in hub-based services and data related enterprise solutions. Its main businesses include voice services, short message services ("**SMS**"), mobile value added services ("**VAS**"), virtual private network(s) ("**VPN**") and data services. The Company has been listed on the Stock Exchange since 2007 when it was spun-off from CITIC Pacific. As at the Latest Practicable Date, based on the Company's enlarged issued share capital upon completion of the Rights Issue and the closing price of its Shares as quoted on the Stock Exchange, the Company had a market capitalisation of approximately HK$9.0 billion.

The Group owns and operates an independent telecoms hub that provides interoperability, interconnections, and other related services which are split into four main divisions: voice services, SMS services, mobile VAS, and data services.

Different telecoms operators rely on different sets of communications standards, technical protocols, network interfaces, systems and technologies for their operations. This requires telecoms operators to negotiate separate bi-lateral arrangements directly with each different networking partner, which may be time consuming and inefficient. The Group's hubbing services serve to simplify these complexities, by providing neutral interoperability between these incompatible communication standards, protocols, network interfaces, systems and technologies, thereby reducing costs and increasing the speed of telecoms operators in establishing connectivity with each other.

Voice services

The Group provides transit and termination services for international voice traffic in China, Hong Kong and other locations.

SMS services

Similar to voice services, the Group provides transit and termination services for local and international SMS traffic in China, Hong Kong and other locations.

Mobile VAS

The Group provides connectivity services that enable mobile operators to provide value added services across operators and platforms. These mobile VAS include among others, signaling, prepaid roaming and single SIM with multiple numbers.

Data services

The Group provides data services to enterprises and other operators in China, Hong Kong and other parts of Asia and the world. These data services include among others, internet access, managed VPNs, managed information security services, cloud computing, data centres, managed VAS and private leased circuits.

Prospects and future plans

Global economic condition remains uncertain for 2013 which will definitely affect the telecommunications market. The operating environment for the Group's traditional business remains challenging. Management will continue to increase its effort to explore the emerging market and to launch new product offerings so as to strengthen its competitiveness and to improve room for growth. With the continued support from Shareholders and dedication of the team, management is confident that the Group can overcome these challenges, as it has during the past few years.

The Group's strategy is to maintain the stable growth of its voice, SMS and mobile VAS businesses, and to allocate more resources in order to develop the established data business in cloud computing, VPN, data centre and Internet access services. The Group will execute the smooth completion of the acquisition of a 79% equity interest in CTM, integrating CTM into the Group and maintaining that enterprise's growth. The Group will also leverage the operations of each of its overseas subsidiaries to penetrate the local telecommunications market.

Strengthen partnerships with telecom operators and maintain stable business growth

The Group will continue to deploy more resources to the development of new products. Through continued improvement of its quality of service, the Group will enhance its collaboration with its telecoms operator customers and strive to maintain stable business growth. CITIC Telecom International CPC Limited, a member of the Group, will also provide VPN and other telecommunications services to domestic small and medium enterprises engaged in overseas expansion in close alignment with China's economic development.

Secure new customers, expand market coverage and broaden the scope of business cooperation with third-world nations

Leveraging on its global marketing reach and telecommunications network, the Group will continue to conduct timely analysis on market changes and customer demands of emerging markets such as Africa, Central Asia, the Middle East and South America. The Group plans to engage business partners in these new markets through the formulation and execution of effective marketing initiatives.

The Group will continue to collaborate with China's telecommunications operators to identify new opportunities for cooperation within new market situations and geographies. The overseas operations experience of the Group place it in an advantageous position to engage proactively and effectively in mutually beneficial business ventures with Chinese operators in developing countries.

Enhance management and competitive advantages of overseas offices in their local markets

The Group will continue to deploy more resources to expand the operations of its overseas offices. Through strengthening the business capability of its overseas offices, the Group aims to create new growth drivers through enhancing the management of overseas offices and boosting their competitive advantages within their respective markets.

Strengthen development of new businesses such as VoIP, cloud computing and 4G (LTE), enabling a faster time-to-market for new products

The Group will continue to develop and deploy new technologies and applications to meet market demand and trends. In particular, it will enhance our efforts in the application of VoIP (Voice over Internet Protocol) services, cloud computing services, mobile security services and 4G (LTE) technology with the intention to launch new products in a timely manner. The emphasis will be on 4G (LTE) technology applications, so that the Group can provide customers with high quality next-generation 4G (LTE) solutions.

Construction and marketing of data centres to enhance their business development potential

The Phase II of the Data Centre located at CITIC Telecom Tower in Hong Kong has commenced service. Detailed planning is also underway for the construction of the data centre in Ap Lei Chau to ensure the quality of its implementation. The construction of the data centre in Ap Lei Chau will further strengthen the competitiveness and resilience of the Group's data centre service.

6. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

Reference is made to the joint announcements of the Company and CITIC Pacific dated 17 October 2012 and 13 January 2013, the announcement of the Company dated 18 February 2013 and the Circular (the "**Announcements and Circular**") in relation to the Company's acquisitions of a total of 79% interest in CTM for a total consideration of US$1,161.3 million (approximately HK$9,058.1 million), subject to adjustments. CTM is principally engaged in mobile, fixed line and broadband services in Macau and is a major supplier of enterprise telecoms services to corporate customers in Macau. For more details on the general information on CTM Group and the financial information of CTM Group, please refer to Appendices II and III to this Prospectus respectively.

As disclosed in the Announcements and Circular, the Company has already obtained commitments on a certain funds basis for short and long-term loan facilities from a group of banks and other financial institutions to cover all of its funding requirements in relation to the Acquisitions, and the Company may consider reducing the amount to be drawn down under such facilities through a combination of equity issuance and/or bond issuance.

On 27 February 2013, the Company announced the issue of US$450 million 6.1% guaranteed bonds due 2025 by its wholly-owned subsidiary. The net proceeds of such bonds issue and the net proceeds of the Rights Issue are intended to be used to finance part of the consideration payable by the Company in respect of the Acquisitions, and the amount of funds to be drawn down under the aforesaid facilities may be reduced accordingly. On this basis, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue. The remaining balance of the consideration payable by the Company in respect of the Acquisitions will be funded by the loans to be drawn down by the Company under available banking facilities and/or existing cash resources.

As disclosed in the Announcements and Circular, completion of the Acquisitions is subject to certain conditions. The Board is pleased to inform Shareholders and potential investors that the necessary consents/approvals from shareholders of Cable & Wireless Communications Plc, the Shareholders and the PRC Government have already been obtained from the relevant parties respectively. Pending the obtaining of the approval from the Macau Government and satisfaction of the other outstanding conditions, completion of the Acquisitions will proceed pursuant to the terms of the relevant sale and purchase agreements. Completion of the Acquisitions is not dependent upon completion of the Rights Issue. The Company expects completion of the Acquisitions to take place in or before the third quarter of 2013. The Company will make further announcement(s) as and when appropriate.

The net proceeds of the Rights Issue, after the deduction of all estimated expenses, are estimated to be approximately HK$1,797.6 million. The net proceeds of the Rights Issue are intended to be used to finance part of the consideration payable by the Company in respect of the Acquisitions, thereby reducing the amount to be drawn down under the available facilities, or otherwise as general working capital for the Company.

The expenses of the Rights Issue (including professional fees and other related expenses) are estimated to be approximately HK$27.9 million, and will be borne by the Company.

The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares (which is calculated by dividing the net proceeds of the Rights Issue by the total number of Rights Shares) will be approximately HK$1.99.

7. TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

8. EQUITY FUND RAISING BY THE COMPANY

The Company has not engaged in or initiated any equity fund raising exercises by way of issuing equity securities during the 12 months immediately preceding the date of this Prospectus.

9. POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As a result of the Rights Issue, the exercise prices of, and/or the number or nominal amount of Shares subject to, the outstanding Share Options may be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will make further announcements on the appropriate adjustments (if any) and the date they are expected to take effect in due course.

10. GENERAL

On the basis that the Rights Issue are being offered to Shareholders (excluding, for these purposes, Non-Qualifying Shareholders) pro rata to their existing shareholdings (apart from fractional entitlements to Rights Shares), in accordance with Listing Rule 13.36(2), there is no requirement under the Listing Rules for the Directors to issue the Rights Shares pursuant to the current general mandate granted to the Directors at the annual general meeting of the Company held on 12 April 2013.

As the Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders in a general meeting.

11. ADDITIONAL INFORMATION

Details of the Acquisitions and financial information of CTM are set out in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.citictel.com):

- the joint announcement of the Company and CITIC Pacific dated 17 October 2012

- the joint announcement of the Company and CITIC Pacific dated 13 January 2013

- the announcement of the Company dated 18 February 2013
- the Circular

Financial information of CTM Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in Appendix II to the Circular, which has been reproduced and set out in Appendix III to this Prospectus.

Historical financial information of the Group and other regulatory disclosure of the Company as required by the Listing Rules have been published on the websites of the Stock Exchange (www.hkexnews.hk) and/or the Company (www.citictel.com).

In this Prospectus, set out in (i) Appendix I is the financial information of the Group; (ii) Appendix II is the general information on CTM Group (as a reproduction from the Circular); (iii) Appendix III is the financial information of CTM Group (as a reproduction from the Circular); (iv) Appendix IV is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group; and (v) Appendix V is the general information of the Group.

Yours faithfully,
By Order of the Board
CITIC Telecom International Holdings Limited
Xin Yue Jiang
Chairman

I PROCEDURES FOR ACCEPTANCE OR TRANSFER

General

Any person (including, without limitation, agents, nominees and trustees outside Hong Kong) wishing to take up his/her/its rights under the Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The attention of Shareholders with registered addresses in any of the Specified Territories or holding Shares on behalf of persons with such addresses is drawn to the paragraphs headed "Letter from the Board – Non-Qualifying Shareholders" and "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue".

Each subscriber of Rights Shares being offered and sold outside the US will be deemed (by accepting delivery of this Prospectus) to have given each of the following representations and warranties to the Company and the Joint Underwriters and to any person acting on their behalf, unless in their sole discretion the Company and the Joint Underwriters waive such requirement:

- He/she/it was a Shareholder as at the Record Date, or he/she/it lawfully acquired or may lawfully acquire rights, directly or indirectly, from such a person;

- He/she/it may lawfully be offered, take up, exercise, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;

- Subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the US;

- Subject to certain exceptions, he/she/it is not accepting an offer to acquire, take up or exercise rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the US at the time the instruction to accept was given;

- He/she/it is not doing so for the account of any person who is located in the US, unless:

  a. the instruction to purchase or take up the rights or to subscribe for or accept Rights Shares was received from a person outside the US; and

b. the person giving such instruction has confirmed that it (i) has the authority to give such instruction and (ii) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that is acquiring the Rights Shares in an "offshore transaction" within the meaning of Regulation S under the Securities Act;

- He/she/it is acquiring the rights and/or the Rights Shares in an "offshore transaction" as defined in Regulation S under the Securities Act;

- He/she/it has not been offered the Rights Shares by means of any "directed selling efforts" as defined in Regulation S under the Securities Act;

- He/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the US; and

- He/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the Securities Act or with any securities regulatory authority of any state, territory, or possession of the US and the rights or Rights Shares are being distributed and offered outside the US in reliance on Regulation S. Consequently he/she/it understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the US, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the above representations and warranties.

Action to be taken by registered Shareholders

Subscription for all Rights Shares provisionally allotted

For each Qualifying Shareholder, a PAL is enclosed with this Prospectus which entitles Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown thereon. If Qualifying Shareholder(s) wish(es) to exercise his/her/their right to subscribe for all the Rights Shares provisionally allotted to him/them as specified in the PAL, he/she/they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on the Latest Acceptance Date. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "CITIC Telecom International Holdings Limited – Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by 4:00 p.m. on the Latest Acceptance Date, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

All cheques and cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If the Joint Underwriters exercise their right to terminate the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest and by means of cheques despatched by ordinary post at the risk of such persons on or before 7 June 2013.

Transfers and "splitting" of nil-paid Rights Shares

The nil-paid Rights Shares can be traded on the Stock Exchange. A Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and sell the remaining part on the Stock Exchange.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split PALs required and the number of nil-paid Rights Shares to be comprised in each split PAL (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL), by no later than 4:30 p.m. on 22 May 2013 to the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required. This process is commonly known as "splitting" the nil-paid Rights Shares.

Having "split" the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL should do so in accordance with the instructions given above in relation to the subscription for all the Rights Shares provisionally allotted.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a PAL (or a split PAL, as the case may be) to another person, he/she/it should complete and sign Form B in the PAL and hand the PAL to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete and sign Form C in the PAL and lodge the PAL intact together with a remittance for the full amount payable on acceptance with the Registrar, Tricor Investor Services Limited, at the address given above, to effect the transfer by no later than 4:00 p.m. on the Latest Acceptance Date.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

Important notice and representations and warranties relating to registered Shareholders in any of the Specified Territories

As described above, Shareholders with registered addresses in any of the Specified Territories are only permitted to take up their rights under the Rights Issue if they fulfill, to the satisfaction of the Company, the requirements specified in the paragraph above headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue".

Any registered Shareholder accepting and/or transferring a PAL or requesting registration of the Rights Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's use of the PAL will not result in the contravention of any applicable legal or regulatory requirements in any jurisdiction: (i) such person is not accepting and/or transferring the PAL, or requesting registration of the relevant nil-paid Rights Shares or the fully-paid Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it may otherwise violate any applicable legal or regulatory requirements to make or accept an offer to acquire the Rights Shares or to use the PAL in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Rights Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any of the Rights Shares into any of the Specified Territories. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the above representations and warranties.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of Rights Shares comprised in, or transfer or purported transfer of, a PAL if it: (a) appears to the Company to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws of the relevant places or Specified Territory, or the acceptance is otherwise in a manner which may involve a breach of the laws or other regulatory requirements of any jurisdiction, or if it or its agents believe the same may violate any applicable legal or regulatory requirements; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for Rights Shares or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would violate any applicable legal or regulatory requirements to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner (other than Shares deposited in CCASS)

Subscription for Rights Shares provisionally allotted and transfers and "splitting" of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or "split" your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the acceptance, transfer and/or "splitting" of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed "Expected Timetable" in this Prospectus and otherwise in accordance with the requirements of the Registered Owner in order to allow the Registered Owner sufficient time to ensure that your instructions are given effect.

Important notice and representations and warranties relating to Beneficial Owners in any of the Specified Territories whose Shares are held by a Registered Owner (other than CCASS)

As described above, Beneficial Owners resident in any of the Specified Territories are only permitted to take up their rights under the Rights Issue if they fulfill, to the satisfaction of the Company, the requirements specified in the paragraph above headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue".

Any Beneficial Owner accepting and/or transferring a PAL or requesting registration of the Rights Shares comprised therein represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's use of the PAL will not result in the contravention of any applicable legal or regulatory requirements in any jurisdiction: (i) such person is not accepting and/or renouncing the PAL, or requesting registration of the relevant nil-paid Rights Shares or the fully-paid Rights Shares from within any of the Specified Territories; (ii) such person is not in any of the Specified Territories or in any territory in which it may otherwise violate any applicable legal or regulatory requirements to make or accept an offer to acquire the Rights Shares or to use the PAL in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person resident in any of the Specified Territories at the time the instruction to accept or transfer was given; and (iv) such person is not acquiring the Rights Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any of the Rights Shares into any of the Specified Territories.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of Rights Shares comprised in, or transfer or purported transfer of, a PAL if it: (a) appears to the Company to have been executed in, or despatched from, any of the Specified Territories and the acceptance may involve a breach of the laws or other regulatory requirements of the relevant places, or the acceptance is otherwise in a manner which may involve a breach of the laws or other regulatory requirements of any jurisdiction, or if it or its agents believe the same may violate any applicable legal or regulatory requirements; (b) provides an address in any of the Specified Territories for delivery of definitive share certificates for Rights Shares or provides an address for delivery of definitive share certificates in any other jurisdiction outside Hong Kong in which it would violate any applicable legal or regulatory requirements to deliver such certificates; or (c) purports to exclude the representation and/or warranty required by the paragraph immediately above.

Action to be taken by Beneficial Owners holding interests in Shares through CCASS

Subscription for Rights Shares provisionally allotted and transfers and "splitting" of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or "split" your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should (unless you are an Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the acceptance, transfer and/or "splitting" of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed "Expected Timetable" in this Prospectus and otherwise in accordance with the requirements of your Intermediary in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for acceptance, transfer and/or "splitting" by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS.

The procedures for acceptance, transfer and/or "splitting" of Rights Shares provisionally allotted to Beneficial Owners who have been admitted to participate in CCASS as Investor Participants shall be in accordance with "Operating Guide for Investor Participants" and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as Investor Participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such Beneficial Owners' interests in Rights Shares should be dealt with.

Important notice and representations and warranties relating to Beneficial Owners in any of the Specified Territories holding interests in Shares through CCASS

As described above, Beneficial Owners resident in any of the Specified Territories are only permitted to take up their rights under the Rights Issue if they fulfill, to the satisfaction of the Company, the requirements specified in the paragraph above headed "Letter from the Board – Limited categories of persons in the Specified Territories who may be able to take up their rights under the Rights Issue".

Any Beneficial Owner holding interests in Shares through CCASS and any CCASS Participant who makes a valid acceptance and/or transfer in accordance with the procedures set out above represents and warrants to the Company that, except where proof has been provided to the satisfaction of the Company that such person's acceptance will not result in the contravention of any applicable legal or regulatory requirements in any jurisdiction: (i) such person is not in any of the Specified Territories or in any territory in which it may otherwise violate any applicable legal or regulatory requirements to make or accept an offer to acquire Rights Shares; (ii) such person is not acting on a non-discretionary basis for a person located within any of the Specified Territories at the time the instruction to accept was given; and (iii) such person is not acquiring Rights Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Shares into any of the Specified Territories. For the avoidance of doubt, HKSCC Nominees Limited, who subscribes the Rights Shares on behalf of CCASS Participants, is not subject to the above representations and warranties.

The Company may treat as invalid any instruction which appears to the Company to have been despatched from any of the Specified Territories and which may involve a breach of the laws or other regulatory requirements of the relevant places or any instruction which otherwise appears to the Company may involve a breach of the laws or other regulatory requirements of any jurisdiction; or if the Company or its agents believes the same may violate any applicable legal or regulatory requirements; or which purports to exclude the representation and/or warranty required by the paragraph immediately above.

II APPLICATION FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply, by way of excess applications, for Rights Shares representing unsold fractional entitlements, together with any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares and any Rights Shares representing any unsold entitlements of Non-Qualifying Shareholders (if any).

Action to be taken by registered Shareholders who wish to apply for excess Rights Shares

Excess Rights Shares application procedures

Applications for excess Rights Shares should be made only by Qualifying Shareholders and only by completing an EAF and lodging the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on the Latest Acceptance Date or such later time and/or date as may be agreed between the Company and the Joint Underwriters. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "CITIC Telecom International Holdings Limited – Excess Application Account" and crossed "Account Payee Only".

Any excess Rights Shares will be allocated and allotted on a fair and equitable basis and on a pro rata basis by reference to the number of excess Rights Shares being applied for, with flexibility to round up to whole board lots at the discretion of the Directors. No reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned to that Qualifying Shareholder in full by ordinary mail and at his own risk on or before 7 June 2013. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies are also expected to be returned to him by ordinary mail and at his own risk on or before 7 June 2013.

If the Joint Underwriters exercise their right to terminate the Underwriting Agreement before the Latest Time for Termination, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques despatched by ordinary mail at the risk of such persons on or before 7 June 2013.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected. The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Important notice and representations and warranties relating to registered Shareholders in any of the Specified Territories

What is set out under the heading "Important notice and representations and warranties relating to registered Shareholders in any of the Specified Territories" on pages 56 to 57 above in the paragraph headed "Procedures for acceptance or transfer" of the nil-paid Rights Shares and fully-paid Rights Shares also applies to applications for excess Rights Shares, with appropriate changes to reflect that the context is an application for excess Rights Shares.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner (other than Shares deposited in CCASS) who wish to apply for excess Rights Shares

Excess Rights Shares application procedures

If you are a Beneficial Owner whose Shares are registered in the name of a Registered Owner and you wish to apply for excess Rights Shares, you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to such application. Such instructions and/or arrangements should be given or made in advance of the latest time for application and payment for excess Rights Shares stated in the section headed "Expected Timetable" in this Prospectus and otherwise in accordance with the requirements of the Registered Owner, in order to allow the Registered Owner sufficient time to ensure that your instructions are given effect.

Important notice and representations, warranties relating to Beneficial Owners in any of the Specified Territories whose Shares are held by a Registered Owner (other than CCASS)

What is set out under the heading "Important notice and representations and warranties relating to Beneficial Owners in any of the Specified Territories whose Shares are held by a Registered Owner (other than CCASS)" on pages 57 to 58 above in the paragraph headed "Procedures for acceptance or transfer" of the nil-paid Rights Shares and fully-paid Rights Shares also applies to applications for excess Rights Shares, with appropriate changes to reflect that the context is an application for excess Rights Shares.

Action to be taken by Beneficial Owners holding interest in Shares through CCASS who wish to apply for excess Rights Shares

Excess Rights Shares application procedures

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to apply for excess Rights Shares, you should (unless you are an Investor Participant) contact your Intermediary and provide your Intermediary with instructions or make arrangements with your Intermediary in relation to the application for excess Rights Shares. Such instructions and/or arrangements should be given or made in advance of the date stated in the section headed "Expected Timetable" in this Prospectus as the latest time for application and payment for excess Rights Shares and otherwise in accordance with the requirements of your Intermediary, in order to allow your Intermediary sufficient time to ensure that your instructions are given effect. The procedure for application for excess Rights Shares shall be in accordance with the "General Rules of CCASS", the "CCASS Operational Procedures" and any other requirements of CCASS.

The procedures for application for excess Rights Shares by Beneficial Owners who have been admitted to participate in CCASS as Investor Participants shall be in accordance with the "Operating Guide for Investor Participants" and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as Investor Participants should contact CCASS to provide CCASS with instructions or make arrangements with CCASS in relation to any applications for excess Rights Shares.

Important notice and representations and warranties relating to Beneficial Owners in any of the Specified Territories holding interests in Shares through CCASS

What is set out under the heading "Important notice and representations and warranties relating to Beneficial Owners in any of the Specified Territories holding interests in Shares through CCASS" on pages 59 to 60 above in the paragraph headed "Procedures for acceptance or transfer" of the nil-paid Rights Shares and the fully-paid Rights Shares also applies to applications for excess Rights Shares, with appropriate changes to reflect that the context is an application for excess Rights Shares.

Important notice for Beneficial Owners

Beneficial Owner with their Shares held by a Registered Owner, or which are held in CCASS, should note that the Board will regard the Registered Owner (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement for the allocation of the excess Rights Shares will not be extended to the Beneficial Owners individually. Beneficial Owners with their Shares held by the Registered Owner (including HKSCC Nominees Limited) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their name prior to the Record Date. For those Beneficial Owner who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on 9 May 2013.

The Joint Underwriters may terminate the arrangements set out in the Underwriting Agreement by written notice to the Company at any time prior to the Latest Time for Termination if:

(i) any matter or circumstance arises as a result of which any of the conditions referred to in the paragraph headed "Letter from the Board – 2. Underwriting Arrangement – (b) Conditions of the Rights Issue and the Underwriting Agreement" in this Prospectus has become incapable of satisfaction as at the required time;

(ii) the fact that any of the Company's representations, warranties or undertakings contained in the Underwriting Agreement is untrue, inaccurate, misleading or breached comes to the knowledge of the Joint Underwriters, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement, or a breach on the part of the Undertaking Shareholders of the Irrevocable Undertakings, or the Joint Underwriters have cause to believe that any such breach has occurred;

(iii) any event occurs or matter arises or is discovered, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the Company's representations, warranties and undertakings are deemed to be repeated, would have rendered any of those representations, warranties or undertakings untrue, inaccurate, incomplete or misleading in any respect, comes to the knowledge of the Joint Underwriters;

(iv) the Company's application to the Main Board of the Stock Exchange for permission for the listing of the Rights Shares (nil-paid and fully-paid) and permission to deal in the Rights Shares (nil-paid and fully-paid) on the Stock Exchange is withdrawn by the Company and/or refused by the Stock Exchange; and

(v) (a) any statement contained in the Announcement or a Rights Issue Document has become or been discovered to be untrue, inaccurate, incomplete or misleading in any respect;

(b) any matter arises or is discovered which would, if the Announcement or a Rights Issue Document was to be issued at the time, constitute an omission therefrom;

(c) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group;

(d) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable): (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Company's securities are traded; (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded for a period of more than three business days if any of such period occurs during the period of dealings in nil-paid Rights Shares, or for a period of more than five business days if any of such period occurs outside the period of dealings in nil-paid Rights Shares (other than pending publication of announcing the Rights Issue or any other announcement relating to the Rights Issue); (iii) a general moratorium on commercial banking activities in the United States, Hong Kong, Macau and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Macau or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Company, the Shares or the transfer thereof;

(e) there shall have occurred any event or series of events (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster, riot, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, calamity, crisis, strike, lock-out, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic); or

(f) the Company is required to publish a supplementary prospectus in accordance with Rule 11.13 of the Listing Rules or otherwise,

which in the sole opinion of at least four of the five Joint Underwriters:

(x) is or will be, or is likely to be, materially adverse to the business, financial, trading, condition or prospects of the Group or to any present or prospective Shareholder in its capacity as such;

(y) has or will have or is likely to have a material adverse impact on the completion of the Rights Issue or dealings in the Rights Shares in the secondary market; or

(z) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in the Announcement and the Rights Issue Documents,

then in any such case at least four of the five Joint Underwriters, acting jointly, may by notice in writing to the Company, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement.

Upon the giving of notice of termination, all the liabilities of the Joint Underwriters and the Company under the Underwriting Agreement (other than certain liabilities of the Company) shall cease and determine and no party shall

have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (other than antecedent breaches and in respect of certain liabilities of the Company). If the Joint Underwriters exercise such right, the Rights Issue will not proceed.

A. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2012

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.citictel.com):

- Annual report of the Company for the year ended 31 December 2010 published on 15 March 2011 (pages 62 to 122)
- Annual report of the Company for the year ended 31 December 2011 published on 13 March 2012 (pages 62 to 131)
- Annual report of the Company for the year ended 31 December 2012 published on 17 February 2013 (pages 70 to 141)

The management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2010, 2011 and 2012 are set out in Appendix I to the Circular, which has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.citictel.com).

B. ACQUISITIONS SINCE THE LATEST PUBLISHED AUDITED ACCOUNTS OF THE GROUP

Since 31 December 2012 (being the date to which the latest published audited accounts of the Group), the Company has entered into (i) a sale and purchase agreement with Sable for acquisition of a 51% interest in CTM and (ii) a sale and purchase agreement with PT for acquisition of a 28% interest in CTM. For details of the financial information of CTM Group, please refer to Appendix III to this Prospectus.

C. INDEBTEDNESS STATEMENT

Banking Facilities and Other Borrowings

At the close of business on 31 March 2013, being the latest practicable date for the purpose of ascertaining information for inclusion in this statement of indebtedness prior to the date of this Prospectus, the Enlarged Group had available banking facilities of approximately HK$533.1 million. Out of such available facilities, (a) a total of HK$100 million was drawn as uncommitted revolving loans that were unsecured and bore interest at prevailing market rates; and (b) approximately HK$82.3 million was utilised as guarantees for costs payable to telecom operators and performance to customers/the Macau Government, of which around HK$6.5 million required the pledge of bank deposits as security and in this connection, the Enlarged Group had pledged approximately HK$6.9 million of its bank deposits. As a result of the issue of the US$450,000,000 6.1% guaranteed bonds due 2025, the Enlarged Group had other borrowings of approximately HK$3,510 million at close of business on 31 March 2013.

Contingent Liabilities

At the close of business on 31 March 2013, the Enlarged Group did not have any material contingent liability.

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 31 March 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the Enlarged Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account completion of the Acquisitions and the present financial resources available to the Enlarged Group, including internally generated revenue and funds and other available banking facilities, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this Prospectus.

Details of CTM Group are set out in the circular of the Company dated 21 March 2013. The following is a reproduction of the section headed "General Information on CTM Group" of the aforesaid circular.

This section contains information about CTM in which the Company is interested as to 20%. Accordingly, CTM is not a subsidiary of the Company as at the date of this circular. The information set out in this section (a) has been extracted from various sources which are not controlled or compiled by the Company and (b) is presented based on the best knowledge, after reasonable enquiries, of the Directors.

OVERVIEW

CTM is principally engaged in mobile, fixed line and broadband services in Macau and is a major supplier of enterprise telecoms services to corporate customers in Macau.

Established in 1981 under the laws of Macau, CTM is currently held as to 51% by Sable, 28% by PT, 20% by the Company and 1% by Macau Post, being an entity controlled by the Macau Government. Upon completion of the Acquisitions, the Company will hold a 99% interest in CTM, which will then become a subsidiary of the Company.

Macau's telecoms industry was once a monopoly market with CTM being the sole and fully-integrated operator across the mobile, fixed line and broadband segments. The industry dynamics began to change when mobile service licences were given to three additional operators since 2001 and subsequently in 2012 when the fixed line market was liberalised. With a over 30-year track record of keeping pace with advances in technology, CTM was well prepared to address the challenges and opportunities of full liberalisation of the telecoms market in Macau. CTM remains as the leading and incumbent player in all three of these segments due to its long-established operations, extensive network coverage, trusted services, strong brand and innovative products.

CTM Group's turnover for the year ended 31 December 2012 reached MOP4,922.2 million, representing a 23.6% increase from the preceding year of MOP3,981.9 million. This growth in turnover was mainly attributable to sales of goods (primarily due to the increasing popularity of smartphones), reflecting a growth of 65.1% (MOP999.3 million) against the previous year. Excluding sales of goods, turnover decreased by 2.4% (MOP59.0 million) in 2012, mainly driven by the decrease in business solutions for enterprise customers as a result of the cyclical nature of casino/hotel developments in Macau. The drop in gross margin of business solutions was compensated by the growth in mobile services and leased lines which led to a growth of overall gross margin of 3% (MOP58 million). As a result, CTM Group's profit for the year increased by 4.0% from MOP932.2 million in 2011 to MOP969.3 million in 2012.

CTM's overriding strategy is aligned with the Macau Government's strategy of network convergence with a long-term vision of transforming Macau into a digital city. CTM strives to meet the changing needs of customers in Macau by offering a range of advanced telecom services at affordable prices while fulfilling its responsibilities as a corporate citizen.

STRENGTHS

CTM's principal strengths include the following:

CTM is the beneficiary of attractive macro and industry economic trends in Macau

The Macau economy experienced GDP growth of 19% CAGR in the five years to September 2012. This growth resulted in an 8% increase in Macau's household disposable incomes between 2009 and September 2012. The tourism and gaming industries have been the key drivers of growth in Macau and visitor numbers reached 28 million in 2012. Visitors and workers from other countries benefit telecoms operators such as CTM as they boost roaming and call traffic. Macau's GDP is heavily skewed by visitors and the gaming and tourism industries, which stimulate the development of the telecoms market. The casino/hotel telecoms facilities and infrastructures are also key revenue drivers for CTM's enterprise solution services. Macau's relatively young population distribution provides a growth driver for technology adoption in the telecoms market and data demand as well as economic growth.

CTM is the market leader in Macau across all telecommunications services and is the only integrated telecoms operator in Macau

CTM is the only fully integrated telecoms operator in Macau. New operators have entered individual market segments, such as mobile, but only one operator bid for the new fixed line licence of the market and to date none have entered the broadband market. Such an integrated offering provides CTM with a stronger market position than its competitors, as well as cross selling opportunities. As the incumbent telecoms operator in Macau, CTM has a strong track record of successful project execution and service delivery. This is in part due to the established nature of CTM's operations and its management team's deep experience of the Macau market. As a result, CTM has maintained a dominant market share in each of the three market segments – 100% in fixed line, 100% in broadband and 46.2% in mobile (source: DSRT) in December 2012.

CTM has the most extensive network infrastructure in Macau which may be upgraded with relatively limited incremental cost

With a track record of building its network infrastructure in excess of 30 years, CTM has the most extensive network infrastructure in Macau which may be upgraded with relatively limited incremental cost. For the three years ended 31 December 2012, CTM Group's capital expenditure amounted to a total of approximately MOP832 million, including MOP339 million expended in 2012. This expenditure was for projects such as the expansion of the WCDMA 3G mobile network, the expansion of the international network, the expansion of the leased line and fixed local networks and the expansion of broadband internet network. CTM is well positioned to capture the strong growth in the mobile and broadband data markets by providing increasingly high speeds and stable mobile connectivity to meet customer needs. CTM currently offers an extensive selection of speeds and mobility options to its customers. Specifically, it offers ADSL (asymmetric digital subscriber line), VDSL (very-high-bit-rate digital subscriber line), and FTTx (fiber to the x) technologies to support speeds ranging from 1 Mbps to over 250 Mbps. CTM also offers home wireless and Wi-Fi services.

CTM has a solid financial position with a strong track record of cash generation and dividend payout

CTM undertakes prudent capital management and had no outstanding borrowings as at 31 December 2012. CTM focuses on cost management by reducing costs, optimising efficiency and increasing productivity across its businesses such as by engaging in dialogue with its suppliers to revisit maintenance contracts to reduce costs. CTM also enjoys strong and stable cash flows. CTM Group generated Adjusted EBITDA of MOP1,193.8 million, MOP1,311.8 million, MOP1,359.1 million and net profit after taxation of MOP813.5 million, MOP932.2 million and MOP969.3 million respectively in the years ended 31 December 2010, 2011 and 2012. CTM's strong cash flow position is also supported by (i) the fact that the expenditure requirements in expanding its infrastructure to support additional users is generally driven by demand for its services; and (ii) the increased availability of new smartphone devices and the increased popularity of such devices boosts the demand for mobile data services.

CTM has an experienced senior management team with extensive experience in the telecoms industry

CTM has an experienced, professional team of senior managers, who have significant experience in the telecoms industry and have in-depth knowledge of various aspects of telecoms business development. The good relationships that its directors and its senior management have with regulators, other industry participants and its customers have assisted CTM in developing new services, securing new businesses and contributed significantly to the success of its operations.

BUSINESS STRATEGIES

CTM's overriding strategy is aligned with the Macau Government's strategy of network convergence with a long-term vision of transforming Macau into a digital city. CTM strives to meet the changing needs of customers in Macau by offering a range of advanced telecoms services at affordable prices while fulfilling its responsibilities as a corporate citizen. The specific strategies for each of CTM's four business segments are as follows:

Mobile services

As the trend towards convergence of mobile devices and fixed broadband is expected to drive the development of personal broadband products, depending on the needs of different types of customers, CTM intends to offer or promote different services to cater for their specific needs. For example, for high-end users, CTM is planning to promote the business use of mobile centrex and tablet applications supported by the cloud environment. For the youth and immigrant worker segments, CTM intends to focus on prepaid offers, including IDD plans and data applications. CTM plans to strengthen partnerships further with regional operators to maintain market share in the roaming market and enable joint promotions for roaming data. CTM also intends to expand its retail network and implement a convergent real time rating, billing and mediation system to enhance billing flexibility.

Internet services

In view of the demand for high speed Internet access and mobile and fixed broadband convergence, CTM intends to continue to develop and adopt new technologies, and invest to enhance its network coverage and broadband speeds. CTM is expected to continue to upgrade the bandwidth packages to improve customer experience.

Fixed line services

In light of the development in the mobile market and advancement in technology, the fixed line market has been relatively stagnant. CTM intends to re-price and repackage IDD services to retain the levels of traffic and market share. CTM also intends to focus on the business market and introduce new integrated calling and contact solutions for businesses to enhance current product offerings.

Enterprise solution services

CTM intends to continue to focus on the provision of one-stop shop services to its corporate customers and the government sector. By reviewing its pricing and product range, CTM intends to refine further the scope of its services to ensure provision of quality managed services and integrated solutions. The wholesale market is expected to be analysed further to address new potential business opportunities, and the product range will include wholesale leased lines, IP backhaul, broadband wholesale and IP transit resell. One-stop shop business solutions for enterprise customers in different sectors, including Macau governmental departments, educational institutions, hospitals and the gaming industry, as well as for major civil infrastructure construction and development projects are expected to remain a key focus.

HISTORY

In the early 1980s, the Macau Government realised a revolutionary change was needed to enhance the efficiency of telecoms services, as residents had then to wait many months to have a telephone connected. Direct dialling was not an option and a telephone call to nearby Hong Kong was a lengthy procedure and had to be placed through an operator.

An agreement was reached in October 1981 with Cable and Wireless plc, one of the largest telecoms operators in the UK, and others to form CTM which was entrusted with the responsibility of providing telecoms services to the Macau community.

As the only full telecoms service provider in Macau, CTM has maintained a leadership role in providing world-class telecoms services to Macau's residents and visitors and it continues to play a major role in the ongoing development of Macau's infrastructure.

In the face of intense competition which has come with the gradual liberalisation of the telecoms market in Macau since 2000, CTM continued to invest to improve its network quality and customer service levels to further strengthen its position as Macau's telecommunications provider of choice.

In 2007, CTM was awarded "The Best Brand Enterprise Award 2007" by the Hong Kong Productivity Council (HKPC) for the Greater China region.

In 2011, CTM was awarded a "Corporate Strategy Excellence Award 2011" by East Week magazine. CTM has been awarded "The Quality and Integrity Merchants" and "My Most Favourite Top Ten Brands in Hong Kong and Macau" awards by the Guangzhou Daily for five consecutive years (2007–2011).

BUSINESS SEGMENTS

The consolidated turnover from CTM Group's different business segments for the years ended 31 December 2010, 2011 and 2012 were as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	(MOP'000)	*(MOP'000)*	*(MOP'000)*
Telecommunications services	2,000,927	2,074,966	2,165,106
Enterprise solution services	251,629	372,554	223,378
Sales of goods	507,597	1,534,412	2,533,708
	2,760,153	3,981,932	4,922,192

Telecommunications services

CTM provides mobile, local telephony services, local data and broadband services, and international telecommunications services.

Mobile services consist of local and international voice and data services, outbound and inbound roaming and other value added services.

Local telephony services consist of fixed-line local telecommunications services, multimedia services and wholesale interconnection services provided to other telecommunications carriers and service providers.

Local data services consist primarily of data transmission services such as private or virtual private IP network services for private and public sector organisations, and business and residential local broadband services in Macau. CTM offers commercial customers a broad portfolio of data connectivity services addressing the requirements of each enterprise's business applications.

The broadband services provide users with a choice of Internet access speeds, with additional value-added services. Broadband users can also stay connected to the Internet at anytime and anywhere via Home Wireless and Wi-Fi hotspots throughout Macau via an integrated wireless solution interconnecting Wi-Fi and mobile broadband networks.

International telecommunications services consist primarily of wholesale and retail international voice, data and leased line services to multinational enterprises and telecommunications service providers.

With worldwide business partnerships and network interconnection relationships, CTM's network provides connectivity to many countries and serves enterprises and wholesale markets in Europe, the Americas, Africa, the Middle East and Asia. CTM also provides IDD calling services, operator assisted overseas calls and calling card services to both business and residential customers in Macau.

Number of users

The table below sets out the number of users in relation to mobile phones, mobile broadband, the Internet and fixed lines as at the dates indicated:

	As at 31 December		
	2010	**2011**	**2012**
Mobile phone users	513,866	633,936	745,460
Mobile broadband users	60,246	123,079	165,512
Internet users	132,757	138,222	145,120
Fixed lines	168,374	166,310	162,533

Mobile services

CTM provides both 2G and 3G mobile services in Macau. The mobile penetration rate reached 279.8% as at 31 December 2012. CTM's mobile customer base increased by over 17.6% for the year 2012, and attained a market share in December 2012 of approximately 46.2%. CTM provides various services including inbound and outbound roaming services, sales of mobile equipment, different subscriber plans for post-paid customers and prepaid services.

The increased availability of smartphones and other wireless devices has had a positive impact on the demand for mobile data services. CTM has actively developed a suite of applications for smartphones to enhance user experience. CTM provides support for a broad spectrum of smartphones and has introduced tariff plans to drive continued growth of its 3G customer base.

As the trend towards convergence of mobile devices and fixed broadband is expected to drive the development of personal broadband products, depending on the needs of different types of customers, CTM is expected to offer or promote different services to cater for their specific needs. For example, for high-end users, CTM will promote the business use of mobile centrex and tablet applications supported by the cloud environment. For the youth and immigrant worker segments, CTM is expected to focus on prepaid offers, including IDD plans and data applications. CTM is expected to strengthen partnerships further with regional operators to maintain market share in the roaming market and enable joint promotions for roaming data. CTM is also expected to expand its retail network and to implement a convergent real time rating, billing and mediation system to enhance billing flexibility.

Internet services

The Internet household penetration in Macau was 84.1% as at 31 December 2012 (source: DSRT). CTM's Internet subscribers increased by approximately 5.0% in 2012. CTM provides Internet services to both commercial sector and the residential sector. CTM is expected to continue to upgrade its broadband network and extend its fiber-optic broadband network.

In view of the demand for high speed Internet access and mobile and fixed broadband convergence, CTM is expected to continue to develop and adopt new technologies, and invest to enhance its network coverage and broadband speeds. CTM is expected to continue to upgrade the bandwidth packages to improve customer experience.

Fixed line services

CTM provides both local and international fixed line services and enables the Macau residents to enjoy unlimited local voice calls and fax services. CTM has an extended IDD service to more than 235 destinations.

In light of the development in the mobile market and advancement in technology, the fixed line market has been relatively stagnant. CTM is expected to re-price and repackage IDD services to retain the levels of traffic and market share. CTM is also expected to focus on the business market and introduce new integrated calling and contact solutions for the business market to enhance current product offerings.

Enterprise solution services

CTM provides one-stop shop business solutions for enterprise customers in different sectors, including Macau Government departments, educational institutions, hospitals and the gaming industry, as well as the major civil infrastructure constructions and development projects. CTM also provides leased circuit services to the governmental and business sectors.

CTM has built a profitable and sustainable business by winning large-scale, long-term projects and ensuring stable recurring revenue streams. Aside from its deep long-term relationships with its customers, CTM has also cultivated solid relationships with its network of software and hardware partners, leaders in their own respective fields, enabling CTM to effectively tailor solutions for its customers and manage its costs.

With extensive experience in a wide range of services and impressive project credentials, CTM is a trusted partner to blue-chip private sector and public sector customers.

A complete range of managed services and data centre services is offered spanning from data centre hosting and management to cloud computing services.

CTM is expected to continue to focus on the provision of one-stop shop services to its corporate customers and the government sector. By reviewing its pricing and product range, CTM is expected to refine further the scope of services provided to ensure quality managed services and integrated solutions are provided. The wholesale market is expected to be analysed further to address new potential business opportunities, and the product range is expected to include wholesale leased lines, IP backhaul, broadband wholesale and IP transit resell. CTM is expected to also focus on high value segments including casinos, hotels, banks and the government and provide services including facility management, video conferencing, surveillance network, IT security, disaster recovery, cloud applications and data centre.

Sales of goods

CTM offers a range of Apple, Blackberry, HTC, LG, Nokia, Samsung and other brands of smartphones, tablets and notebooks, as well as Panasonic and other brands of residential phones, some of which are only sold with a service plan contract for a specified period. These products may be purchased online or at any of CTM's retail outlets.

Handset sales increased from MOP1,515.5 million in 2011 by 66.3% to MOP2,519.8 million in 2012. The increase was mainly driven by the increasing popularity of smartphones which have a higher selling price per unit.

SALES AND MARKETING

CTM markets its services through its sales and marketing team as well as via its website and retail outlets. Dedicated sales units address CTM's businesses in the consumer and corporate segments of the market. A team of professional sales consultants in the corporate segment rely on CTM's CRM capabilities system to target different customer groups with new products and services, and cross-sell CTM's services to the customers of its other divisions. The CRM system collects information about customer usage patterns, which can be used for market segmentation and to enable CTM to market on a targeted basis. Industry specialisation and individual focus on larger customers allows for solutions tailored to a customer's special needs.

CTM has a customer loyalty programme whereby customers are awarded credits known as "Bonus points" entitling customers to redeem cash coupons and gifts.

As CTM's retail outlets are all located in major residential, business or tourist areas, CTM provides convenient, high-quality services and products to both residents and visitors. CTM is expected to continue to improve the standard of its retail customer services by expanding its retail shops network and extending the opening hours of the retail shops.

COMPETITION

The implementation of the Macau Government's policy to liberalise the telecommunications industry has resulted in intense competition in the markets for local and international services. Macau's telecoms industry was once a monopoly market with CTM being the sole and fully-integrated operator across the mobile, fixed line and broadband segments. The industry dynamics began to change when mobile service licences were given to three additional operators since 2001 and subsequently in 2012 when the fixed line market was liberalised. CTM remains as the leading and incumbent player in all three segments due to its long-established operations, extensive network coverage, trusted services, strong brand and innovative products.

REGULATION

Macau's Basic Telecommunications Law (Law no. 14/2001) provides the basis for the telecommunications policy of the Macau Government as well as a broad regulatory framework, which is administered by the DSRT, for the establishment, management and development of telecommunications networks and telecommunications services.

The Macau Government's telecommunications policy aims to:

1) liberalise the installation of public telecommunications networks and the public telecommunications services, increase the public benefit and create opportunities for investment, in order to reinforce competitiveness and continuous social and economic development;

2) guarantee access to telecommunications, with reasonable tariffs/prices and efficiency in a non discriminatory manner, for the social and economic activities of Macau's population;

3) ensure the existence and availability of a universal telecommunications service;

4) ensure the equality and transparency of the conditions of competition and promote diversified services corresponding to the demands of users;

5) ensure the interoperability of public telecommunications networks, as well as number portability;

6) promote the utilisation of telecommunications networks and services by public administrations, public institutes and other public entities, in a way that elevates the equality and efficiency of the services rendered;

7) promote scientific and technological development.

Operators of public telecommunications services such as CTM are required to allow other telecommunications operators to use their network equally under the conditions of competition and permit the interconnection of telecommunications networks used by other operators, so as to guarantee the access and communications among the users of the services provided by different operators. The following anti-competitive practices are prohibited: discriminatory practices impacting other telecommunications operators and with the public in general; agreements or practices reached among telecommunications operators or enterprise associations, in whatever form, which distort, restrict and impede competition; and cross subventions or other practices that subvert competition or choice.

Any telecommunications operator who is not subject to significant competition coming from other operators is considered to have a dominant position. The main criteria to determine whether a telecommunications operator is subject to significant competition in a certain market, are the market share, the ability to influence prices and access to the market by other operators, the control of the media for accessing to the services by the users, the financial resources and profitability and the degree of diversity of products and services offered.

CTM currently has the right granted by the Macau Government to provide local and international switched fixed voice and data services on a non-exclusive basis, without interruption, for a period of five years from 1 January 2012 until 31 December 2016, automatically renewable for another five-year period until 31 December 2021 except in the case of a serious breach by CTM of the relevant laws and regulations or for reasons of public interest.

CTM also operates under a licence from the Macau Government to provide mobile services in competition with other operators in Macau, both for GSM 2G and WCDMA 3G mobile services, which expires in June 2015 and is renewable for a period of up to eight years. CTM is also licensed to operate internet services. CTM has applied for renewal of its internet licence for a five-year period and the application for renewal is being processed by the Macau Government.

On 31 December 2011, the Administrative Regulation no. 41/2011, which liberalised the fixed telecoms market in Macau and established the regime for the deployment and operation of public fixed telecommunications networks and the licensing framework for new fixed line operators.

INSURANCE

CTM has insurance policies providing coverage for its assets and operations including loss of or damage to its properties and assets, loss of profit and additional costs of working arising from loss or damage to its properties or assets, public liability, contractual liability, employment liability, errors and omissions, amongst others.

CTM's properties are covered with adequate insurance provided through a combination of direct insurance or reinsurance policies with insurance companies and with commercially prudent deductibles and limits on coverage. Notwithstanding CTM's insurance provisions, CTM could nevertheless experience a material loss as a result of an unforeseeable series of catastrophic events, systemic adverse circumstances, or other adverse occurrences not currently foreseeable and/or not commercially insurable.

DIRECTORS AND MANAGEMENT

Board of Directors

The board of directors of CTM is as follows:

William Anthony Rice[(1)]	Chairman
Poon Fuk Hei	Managing Director
Timothy Lincoln Pennington[(1)]	Director
Ip Ming Wong	Director
Nicholas Ian Cooper[(1)]	Director
Luiz Filipe Saraiva Castel-Branco Avelar[(1)]	Director
Carlos Manuel Mendes Fidalgo Moreira da Cruz[(1)]	Director
Yuen Kee Tong	Director
Lau Wai Meng	Director

Note:

(1) These persons will resign after the completion of the Acquisitions.

Supervisory Board

The supervisory board of CTM is as follows:

Belinda Holly Yvette Bradberry[(1)]	President
Maria Teresa Jordão Pereira Neves[(1)]	Member
Chong Vun Leng	Member
Ian James Lawson[(1)]	Member
David Chan Tin Wai	Member

Note:

(1) These persons will resign after the completion of the Acquisitions.

Executive Committee

The executive committee of CTM is as follows:

Poon Fuk Hei	Chief Executive Officer
Ip Ming Wong	Chief Financial Officer
Aguinaldo Wahnon	Vice President, Legal & Regulatory, General Counsel
Donald Shaw	Vice President, Strategy and Business Performance
Declan Leong	Vice President, Enterprise Business
Ebel Cham	Vice President, Consumer Market
Gloria Silva	Vice President, Corporate Communications, Human Resources and Administration
Thomas Lei	Vice President, Network Services

Details of the financial information of CTM Group are set out in the circular of the Company dated 21 March 2013. The following is a reproduction of the Appendix II headed "Financial Information of CTM Group" to the aforesaid circular.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

21 March 2013

The Directors
CITIC Telecom International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Companhia de Telecomunicações de Macau, S.A.R.L. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2010, 2011 and 2012 (the "Relevant Period"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2010, 2011 and 2012, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the Circular for CITIC Telecom International Holdings Limited ("CITIC Telecom") dated 21 March 2013 (the "Circular") in connection with the proposed acquisition of the Group by CITIC Telecom.

The Company was incorporated in Macau on 15 August 1981 with limited liability under Macau Commercial Code issued by the Government of Macau Special Administrative Region.

Except for CTM (HK) Limited and TeleOne (Singapore) Pte Ltd., all companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of respective auditors are set out in Note 24 of Section B. The statutory financial statements of these companies were prepared in accordance with International Financial Reporting Standards ("IFRSs"), Hong Kong Financial Reporting Standards ("HKFRSs"), Singapore Financial Reporting Standards ("SFRS") or the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises (the "PRC GAAP") issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the accounting policies set out in

Section B below which are in accordance with IFRSs issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2010, 2011 and 2012 were audited by KPMG Macau in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2012.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group and the Company as at 31 December 2010, 2011 and 2012.

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		
	Section B	**2010**	**2011**	**2012**
	Note	*MOP'000*	*MOP'000*	*MOP'000*
Turnover	*3*	2,760,153	3,981,932	4,922,192
Other revenue	*4*	1,436	5,850	12,035
Other net (loss)/gain	*4*	374	(794)	(1,643)
		2,761,963	3,986,988	4,932,584
Cost of sales	*5(a)*	(1,146,785)	(2,197,085)	(3,079,177)
Depreciation and amortisation		(269,997)	(260,605)	(270,518)
Staff costs	*5(b)*	(187,410)	(204,380)	(211,341)
Other operating expenses		(232,206)	(267,543)	(270,447)
Profit before taxation	*5*	925,565	1,057,375	1,101,101
Income tax	*6(a)*	(112,087)	(125,148)	(131,838)
Profit for the year		813,478	932,227	969,263

The accompanying notes form part of the Financial Information.

2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section B Note	2010 *MOP'000*	2011 *MOP'000*	2012 *MOP'000*
		Year ended 31 December		
Profit for the year		813,478	932,227	969,263
Other comprehensive income for the year				
Defined benefit retirement plan:				
Actuarial loss	*15(a)(vi)*	(1,307)	(53,498)	(6,932)
Deferred tax assets recognised on the actuarial loss	*6(d)*	652	6,419	833
		(655)	(47,079)	(6,099)
Total comprehensive income for the year		812,823	885,148	963,164

The accompanying notes form part of the Financial Information.

3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2010 MOP'000	2011 MOP'000	2012 MOP'000
Non-current assets				
Property, plant and equipment	*7*	806,689	827,187	896,286
Intangible assets	*8*	3,148	6,872	6,275
Deferred tax assets	*6(d)*	4,262	10,321	10,790
Other non-current assets		750	750	750
		814,849	845,130	914,101
Current assets				
Inventories	*10*	102,463	128,745	124,505
Trade and other receivables	*11*	350,431	390,336	399,476
Loans to related parties	*12*	495,000	633,600	831,600
Cash and cash equivalents	*13(a)*	627,342	738,678	561,574
		1,575,236	1,891,359	1,917,155
Current liabilities				
Trade and other payables	*14*	566,236	776,258	831,090
Current taxation	*6(c)*	116,807	130,546	135,403
		683,043	906,804	966,493
Net current assets		892,193	984,555	950,662
Total assets less current liabilities		1,707,042	1,829,685	1,864,763
Non-current liabilities				
Net defined benefit retirement obligation	*15(a)(i)*	30,352	80,847	84,761
NET ASSETS		1,676,690	1,748,838	1,780,002
CAPITAL AND RESERVES				
Share capital	*17(c)*	150,000	150,000	150,000
Reserves		1,526,690	1,598,838	1,630,002
TOTAL EQUITY		1,676,690	1,748,838	1,780,002

The accompanying notes form part of the Financial Information.

4. STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31 December 2010 MOP'000	2011 MOP'000	2012 MOP'000
Non-current assets				
Property, plant and equipment	*7*	806,728	827,226	896,347
Intangible assets	*8*	3,148	6,872	6,275
Investments in subsidiaries	*9*	10	10	10
Deferred tax assets	*6(d)*	4,262	10,321	10,790
Other non-current assets		750	750	750
		814,898	845,179	914,172
Current assets				
Inventories	*10*	102,463	128,745	124,505
Trade and other receivables	*11*	360,355	401,608	409,131
Loans to related parties	*12*	501,116	639,719	838,134
Cash and cash equivalents	*13(a)*	621,303	733,216	557,057
		1,585,237	1,903,288	1,928,827
Current liabilities				
Trade and other payables	*14*	575,961	786,559	841,114
Current taxation	*6(c)*	116,781	130,505	135,338
		692,742	917,064	976,452
Net current assets		892,495	986,224	952,375
Total assets less current liabilities		1,707,393	1,831,403	1,866,547
Non-current liabilities				
Net defined benefit retirement obligation	*15(a)(i)*	30,352	80,847	84,761
NET ASSETS		1,677,041	1,750,556	1,781,786
CAPITAL AND RESERVES				
Share capital	*17(c)*	150,000	150,000	150,000
Reserves		1,527,041	1,600,556	1,631,786
TOTAL EQUITY		1,677,041	1,750,556	1,781,786

The accompanying notes form part of the Financial Information.

5. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Section B Note	Share capital *MOP'000*	Legal reserve *MOP'000* *(Note 17(d)(i))*	Capital contribution reserve *MOP'000* *(Note 17(d)(ii))*	Retained profits *MOP'000*	Total *MOP'000*
At 1 January 2010		150,000	37,500	11,225	988,142	1,186,867
Changes in equity for 2010:						
Profit for the year		–	–	–	813,478	813,478
Other comprehensive income		–	–	–	(655)	(655)
Total comprehensive income		–	–	–	812,823	812,823
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(323,000)	(323,000)
At 31 December 2010		150,000	37,500	11,225	1,477,965	1,676,690
At 1 January 2011		150,000	37,500	11,225	1,477,965	1,676,690
Changes in equity for 2011:						
Profit for the year		–	–	–	932,227	932,227
Other comprehensive income		–	–	–	(47,079)	(47,079)
Total comprehensive income		–	–	–	885,148	885,148
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(813,000)	(813,000)
At 31 December 2011		150,000	37,500	11,225	1,550,113	1,748,838
At 1 January 2012		150,000	37,500	11,225	1,550,113	1,748,838
Changes in equity for 2012:						
Profit for the year		–	–	–	969,263	969,263
Other comprehensive income		–	–	–	(6,099)	(6,099)
Total comprehensive income		–	–	–	963,164	963,164
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(932,000)	(932,000)
At 31 December 2012		150,000	37,500	11,225	1,581,277	1,780,002

The accompanying notes form part of the Financial Information.

6. CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	2010 *MOP'000*	2011 *MOP'000*	2012 *MOP'000*
		Year ended 31 December		
Operating activities				
Cash generated from operations	*13(b)*	1,163,614	1,454,609	1,411,294
Tax paid:				
– Macau income tax paid		(100,580)	(111,064)	(126,602)
– Overseas income tax (paid)/refunded		88	15	(15)
Income tax paid		(100,492)	(111,049)	(126,617)
Net cash generated from operating activities		1,063,122	1,343,560	1,284,677
Investing activities				
Purchase of property, plant and equipment		(206,219)	(285,943)	(339,024)
Purchase of intangible assets		–	(800)	–
Proceeds from sale of property, plant and equipment		363	2,291	485
New loans to affiliates of the shareholders		(495,000)	(633,600)	(831,600)
Interest received		258	3,828	6,758
Net cash used in investing activities		(700,598)	(914,224)	(1,163,381)
Financing activities				
Dividends paid to equity shareholders of the Company		(323,000)	(318,000)	(298,400)
Net cash used in financing activities		(323,000)	(318,000)	(298,400)
Net (decrease)/increase in cash and cash equivalents		39,524	111,336	(177,104)
Cash and cash equivalents at 1 January		587,818	627,342	738,678
Cash and cash equivalents at 31 December	*13(a)*	627,342	738,678	561,574

The accompanying notes form part of the Financial Information.

B. NOTES TO THE FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IAS") and related interpretations, promulgated by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out below.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2012. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2012 are set out in note 23.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of measurement

The Financial Information is presented in Macau Patacas, rounded to the nearest thousand. It is prepared on the historical cost basis except for the following items in the statements of financial position:

- liabilities for cash settled share based payment arrangements are measured at fair value; and
- the defined benefit retirement obligation is recognised as the net total of the present value of the defined benefit obligation, less the fair value of plan assets.

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Capital projects in progress are not depreciated until they are ready for service.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
– Land and buildings	40 years
– Plant and equipment	2-20 years
– Furniture, fixtures and fittings	2-5 years
– Motor vehicles	4-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(h)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Estimated useful lives
Computer software	3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the lease asset, or, if lower, the present value of the minimum lease payments, of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the assets, the life of the asset, as set out in note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(h) Impairment of assets

(i) Impairment of investments in subsidiaries and trade and other receivables

Investments in subsidiaries and current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in a subsidiary below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(h)(ii).

– For current and non-current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(i) Inventories

(i) Sales of goods

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Business solution projects

The accounting policy for business solution project revenue is set out in note 1(p)(iii). When the outcome of a project can be estimated reliably, project costs are recognised as an expense by reference to the stage of completion of the project at the end of the reporting period. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately. When the outcome of a project cannot be estimated reliably, project costs are recognised as an expense in the period in which they are incurred.

Business solution projects at the end of the reporting period are recorded in the statement of financial position at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customers.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(o), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plan

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plan and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit retirement plan immediately in other comprehensive income and all expenses related to defined benefit retirement plan in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit retirement plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Share based payments transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For shared-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with 1(o)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Telecommunications services revenue

Revenue from telecommunications services is recognised on the basis of minutes of traffic processed and/or contracted fees for telecommunications services that have been provided and based on the relative fair value of the services rendered and bonus points issued under customer loyalty programme.

(ii) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to the customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Business solution project revenue

Revenue from business solution projects is recognised in proportion to the stage of completion of the projects at the end of the reporting date. The stage of completion is assessed by reference to the surveys of work performed. When the outcome of a project cannot be estimated reliably, project revenue is recognised only to the extent of project costs incurred that it is probable will be recoverable.

(iv) Customer loyalty programme

The Group has a customer loyalty programme whereby customers are awarded credits known as "bonus point" entitling customers to redeem cash coupons and gifts. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the bonus point and the other components of the sale. The amount allocated to the bonus points is estimated by reference to the fair value of the cash coupons and gifts. The fair value of the cash coupons and gifts is estimated based on the amount of the face value, adjusted to take into account the expected forfeiture rate. Such amount is deferred and revenue is recognised when the bonus points are redeemed and the Group has fulfilled its obligations to supply the cash coupons and gifts. The amount of revenue recognised in those circumstances is based on the number of bonus points that have been redeemed in exchange for the cash coupons and gifts, relative to the total number of bonus points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the bonus points will be redeemed.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Macau Patacas at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items of foreign operations are translated into Macau Patacas at the closing exchange rates at the end of the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's business and geographical locations classified by the location of assets.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 15 and 18 contain information about the assumptions and their risk factors relating to valuation of defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Business solution projects

As explained in policy notes 1(i)(ii) and 1(p)(iii) revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the business solution contract, as well as the work done to date. Based on the Group's recent experience and the nature of the business solution activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the accrued revenue included in trade and other receivables will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcome in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment and useful lives of plant and equipment

The plant and equipment used in the telecommunications network are long-lived but may be subject to technical obsolescence. The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of plant and equipment. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the experience from the Group's operational management, certification from equipment supplies, technologies trend research and future economic trend. Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset exceeds its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as the market competition and development and the expected growth in subscribers and average revenue per subscriber.

3. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The Group is principally engaged in the provision of local telephony services, local data and broadband services, international telecommunications services and business solutions services and sales of telecommunications equipment and mobile handsets. The Group currently has the right granted from the Macau Government under a concession to provide local and international switched fixed voice and data services on a non-exclusive basis, without interruption, for a period of five years from 1 January 2012 until 31 December 2016, automatically renewable for another five-year period until 31 December 2021 except in the case of serious breach by the Group of the relevant laws and regulations or for reasons public interest. The Group also operates under a licence from the Macau Government to provide GSM 2G and WCDMA 3G mobile services in competition with other operators in Macau, which will expire in June 2015 and is renewable. The Group is also licensed to operate internet services for a period up to April 2013. The Group has applied for renewal of its internet licence and its application for renewal is being processed by the Macau Government.

Turnover represents the gross amounts received and receivable from telecommunications services provided, business solutions projects and sales of goods. The amount of each significant category of revenue recognised in turnover during the Relevant Period is as follows:

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Telecommunications services revenue	2,000,927	2,074,966	2,165,106
Business solutions project revenue	251,629	372,554	223,378
Sales of goods	507,597	1,534,412	2,533,708
	2,760,153	3,981,932	4,922,192

(b) Segment reporting

The Group manages its businesses by business operations and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified only one business segment, i.e. telecommunications operations. Accordingly, no business segmental analysis is presented. Further, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. Macau. The Group's overseas operation constitutes an insignificant portion of the Group's business.

Reconciliation of reportable segment profit, assets and liabilities

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Profit			
Reportable segment profit	924,129	1,051,525	1,089,066
Unallocated other revenue	1,436	5,850	12,035
Consolidated profit before taxation	925,565	1,057,375	1,101,101

Revenue and expenses are allocated to the reportable segment with reference to sales generated by the segment and the expenses incurred by the segment or which otherwise arise from the depreciation or amortisation of assets attributable to the segment.

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Assets			
Reportable segment assets	1,894,335	2,102,139	1,998,906
Loans to related parties	495,000	633,600	831,600
Unallocated corporate assets	750	750	750
Consolidated total assets	2,390,085	2,736,489	2,831,256
Liabilities			
Reportable segment liabilities	713,395	987,651	1,051,254
Consolidated total liabilities	713,395	987,651	1,051,254

Segment assets include all tangible, intangible assets and other current and non-current assets with the exception of loans to related parties and other corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment.

4. OTHER REVENUE AND OTHER NET (LOSS)/GAIN

Other revenue

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Interest income	1,436	5,850	12,035

Other net (loss)/gain

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Net gain on disposal of property, plant and equipment	363	375	481
Net foreign exchange (loss)/gain	11	(1,169)	(2,124)
	374	(794)	(1,643)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Cost of sales

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Cost of goods sold	514,002	1,490,114	2,520,871
Cost of business solutions projects	211,105	297,547	166,112
Outpayments and other direct costs	421,678	409,424	392,194
	1,146,785	2,197,085	3,079,177

(b) Staff costs

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Contributions to defined contribution retirement plan	2,432	2,605	3,143
Expenses recognised in respect of defined benefit retirement plan *(note 15(a)(v))*	5,681	5,618	8,230
Total retirement costs	8,113	8,223	11,373
Share-based payment expenses *(note 16)*	1,306	(524)	–
Salaries, wages and other benefits	177,991	196,681	199,968
	187,410	204,380	211,341

(c) Other items

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Depreciation of property, plant and equipment *(note 7)*	261,657	257,863	266,285
Amortisation of intangible assets *(note 8)*	8,340	2,742	4,233
Government royalty	56,890	59,768	63,647
Operating lease charges#	58,928	70,224	70,140
Auditors' remuneration			
– audit services	1,156	1,187	1,361
– tax services	150	143	155
Impairment losses on trade debtors *(note 11(b))*	2,217	8,382	4,292

Operating lease charges include operating lease charge of international private leased circuit, which is recorded in cost of sales disclosed separately in note 5 (a)

6. INCOME TAX

(a) Income tax in the consolidated income statements represents:

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Current tax			
Macau Complementary Tax:			
Provision for the year	111,161	127,881	132,251
Over-provision in respect of prior years	–	(3,093)	(816)
	111,161	124,788	131,435
Hong Kong Profits Tax:			
Provision for the year	–	–	39
Deferred tax			
Origination and reversal of temporary differences	926	360	364
	112,087	125,148	131,838

The provision for Macau Complementary Tax is calculated at the rate of 9% for assessable profits ranging from MOP200,001 to MOP300,000 and then at the flat rate of 12% for the amount in excess of MOP300,000 for the years ended 31 December 2010, 2011, 2012. No Macau Complementary Tax is levied on the first MOP200,000 assessable profits. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant regions or countries.

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates:

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Profit before taxation	925,565	1,057,375	1,101,101
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	111,068	126,885	132,132
Tax effect of non-deductable expenses	494	861	480
Over-provision in respect of prior years	–	(3,093)	(816)
Tax effect of unused tax losses not recognised	90	164	42
Others	435	331	–
Actual income tax expense	112,087	125,148	131,838

(c) Current taxation in the statements of financial position represents:

The Group

	2010 *MOP'000*	**2011** *MOP'000*	**2012** *MOP'000*
Macau Complementary Tax:			
Provision for the year	111,161	127,881	132,251
Balance of tax provision relating to prior years	5,620	2,624	3,087
	116,781	130,505	135,338
Hong Kong Profits Tax:			
Provision for the year	–	–	39
Provisional Profits Tax paid	–	–	(15)
Balance of tax provision relating to prior years	26	41	41
	26	41	65
	116,807	130,546	135,403

The Company

	2010 *MOP'000*	**2011** *MOP'000*	**2012** *MOP'000*
Macau Complementary Tax:			
Provision for the year	111,161	127,881	132,251
Balance of tax provision relating to prior years	5,620	2,624	3,087
	116,781	130,505	135,338

(d) Deferred tax assets recognised:

The components of deferred tax assets recognised in the statements of financial position and the movements during the Relevant Period are as follows:

The Group and the Company

Deferred tax assets arising from:

	Impairment losses *MOP'000*	**Defined benefit retirement obligation** *MOP'000*	**Total** *MOP'000*
At 1 January 2010	619	3,917	4,536
Charged to profit or loss	–	(926)	(926)
Credited to reserve	–	652	652
At 31 December 2010	619	3,643	4,262

	Impairment losses *MOP'000*	**Defined benefit retirement obligation** *MOP'000*	**Total** *MOP'000*
At 1 January 2011	619	3,643	4,262
Charged to profit or loss	–	(360)	(360)
Credited to reserve	–	6,419	6,419
At 31 December 2011	619	9,702	10,321

	Impairment losses *MOP'000*	**Defined benefit retirement obligation** *MOP'000*	**Total** *MOP'000*
At 1 January 2012	619	9,702	10,321
Charged to profit or loss	–	(364)	(364)
Credited to reserve	–	833	833
At 31 December 2012	619	10,171	10,790

(e) Deferred tax assets and liabilities not recognised:

No other deferred tax assets and liabilities have been recognised in the financial statements of the Group and the Company as the effect of all other temporary differences is immaterial at 31 December 2010, 2011 and 2012.

7. PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2010	301,274	3,679,923	31,712	8,830	62,738	4,084,477
Exchange adjustments	–	395	–	–	–	395
Additions	–	1,257	–	–	204,962	206,219
Transfer of CIP	–	195,705	–	–	(197,856)	(2,151)
Disposals	(179)	(340,691)	(281)	(155)	–	(341,306)
At 31 December 2010	301,095	3,536,589	31,431	8,675	69,844	3,947,634
Accumulated depreciation:						
At 1 January 2010	249,972	2,931,820	31,222	7,185	–	3,220,199
Exchange adjustments	–	395	–	–	–	395
Charge for the year	5,287	255,336	225	809	–	261,657
Written back on disposals	(179)	(340,691)	(281)	(155)	–	(341,306)
At 31 December 2010	255,080	2,846,860	31,166	7,839	–	3,140,945
Net book value:						
At 31 December 2010	46,015	689,729	265	836	69,844	806,689

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2011	301,095	3,536,589	31,431	8,675	69,844	3,947,634
Exchange adjustments	–	4	–	–	–	4
Additions	–	4,065	313	–	281,565	285,943
Transfer of CIP	–	240,243	–	–	(245,909)	(5,666)
Disposals	(9,434)	(231,261)	(657)	(447)	–	(241,799)
At 31 December 2011	291,661	3,549,640	31,087	8,228	105,500	3,986,116
Accumulated depreciation:						
At 1 January 2011	255,080	2,846,860	31,166	7,839	–	3,140,945
Exchange adjustments	–	4	–	–	–	4
Charge for the year	3,069	254,310	52	432	–	257,863
Written back on disposals	(9,434)	(229,345)	(657)	(447)	–	(239,883)
At 31 December 2011	248,715	2,871,829	30,561	7,824	–	3,158,929
Net book value:						
At 31 December 2011	42,946	677,811	526	404	105,500	827,187

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2012	291,661	3,549,640	31,087	8,228	105,500	3,986,116
Exchange adjustments	–	491	–	–	–	491
Additions	–	593	–	176	338,255	339,024
Transfer of CIP	–	284,732	87	1,558	(290,013)	(3,636)
Disposals	–	(25,492)	(104)	(1,042)	–	(26,638)
At 31 December 2012	291,661	3,809,964	31,070	8,920	153,742	4,295,357
Accumulated depreciation:						
At 1 January 2012	248,715	2,871,829	30,561	7,824	–	3,158,929
Exchange adjustments	–	491	–	–	–	491
Charge for the year	2,327	263,219	113	626	–	266,285
Written back on disposals	–	(25,488)	(104)	(1,042)	–	(26,634)
At 31 December 2012	251,042	3,110,051	30,570	7,408	–	3,399,071
Net book value:						
At 31 December 2012	40,619	699,913	500	1,512	153,742	896,286

The Company

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2010	301,274	3,668,626	31,707	8,486	62,738	4,072,831
Additions	–	1,257	–	–	204,962	206,219
Transfer of CIP	–	195,705	–	–	(197,856)	(2,151)
Disposals	(179)	(340,691)	(281)	(155)	–	(341,306)
At 31 December 2010	301,095	3,524,897	31,426	8,331	69,844	3,935,593
Accumulated depreciation:						
At 1 January 2010	249,972	2,920,478	31,219	6,846	–	3,208,515
Charge for the year	5,287	255,336	224	809	–	261,656
Written back on disposals	(179)	(340,691)	(281)	(155)	–	(341,306)
At 31 December 2010	255,080	2,835,123	31,162	7,500	–	3,128,865
Net book value:						
At 31 December 2010	46,015	689,774	264	831	69,844	806,728

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2011	301,095	3,524,897	31,426	8,331	69,844	3,935,593
Additions	–	4,065	313	–	281,565	285,943
Transfer of CIP	–	240,243	–	–	(245,909)	(5,666)
Disposals	(9,434)	(231,261)	(657)	(447)	–	(241,799)
At 31 December 2011	291,661	3,537,944	31,082	7,884	105,500	3,974,071
Accumulated depreciation:						
At 1 January 2011	255,080	2,835,123	31,162	7,500	–	3,128,865
Charge for the year	3,069	254,310	52	432	–	257,863
Written back on disposals	(9,434)	(229,345)	(657)	(447)	–	(239,883)
At 31 December 2011	248,715	2,860,088	30,557	7,485	–	3,146,845
Net book value:						
At 31 December 2011	42,946	677,856	525	399	105,500	827,226

	Land and buildings MOP'000	Plant and equipment MOP'000	Furniture, fixtures and fittings MOP'000	Motor vehicles MOP'000	Capital projects in progress (CIP) MOP'000	Total MOP'000
Cost:						
At 1 January 2012	291,661	3,537,944	31,082	7,884	105,500	3,974,071
Additions	–	593	–	176	338,255	339,024
Transfer of CIP	–	284,732	87	1,558	(290,013)	(3,636)
Disposals	–	(25,492)	(104)	(1,042)	–	(26,638)
At 31 December 2012	291,661	3,797,777	31,065	8,576	153,742	4,282,821
Accumulated depreciation:						
At 1 January 2012	248,715	2,860,088	30,557	7,485	–	3,146,845
Charge for the year	2,327	263,197	113	626	–	266,263
Written back on disposals	–	(25,488)	(104)	(1,042)	–	(26,634)
At 31 December 2012	251,042	3,097,797	30,566	7,069	–	3,386,474
Net book value:						
At 31 December 2012	40,619	699,980	499	1,507	153,742	896,347

Notes:

(a) Certain plant and equipment that were acquired before 1 January 2012 under a concession granted from the Macau Government to provide local and international switched fixed voice and data services are amortised over either their respective useful lives as set out in accounting policy note 1(e) or a period up to the end of the concession, whichever is shorter. Additional depreciation charge as a result of shortened depreciation periods amounted to MOP3,134,000, MOP3,440,000 and MOP11,325,000 for the years ended 31 December 2010, 2011 and 2012.

(b) The Group leases Indefeasible Right of Use ("IRU") of capacity of land cable under finance leases for 13 to 16 years. The directors of the Company are of the opinion that these lease terms constitute a major part of the economic useful lives of these assets. As at 31 December 2010, 2011 and 2012, the net book value of IRU held under finance leases of the Group amounted to MOP88,636,000, MOP79,851,000 and MOP69,769,000 respectively. All the lease payments had been paid in full at the inception dates of these leases.

(c) The analysis of net book value of properties is as follows:

The Group and the Company

	2010 *MOP'000*	**2011** *MOP'000*	**2012** *MOP'000*
Medium-term leases in Macau	46,015	42,946	40,619
Representing:			
Land and buildings carried at cost	46,015	42,946	40,619

8. INTANGIBLE ASSETS

The Group and the Company

Computer software	**2010** *MOP'000*	**2011** *MOP'000*	**2012** *MOP'000*
Cost:			
At 1 January	127,609	114,229	119,960
Additions	–	800	–
Transferred from CIP	2,151	5,666	3,636
Disposals	(15,531)	(735)	–
At 31 December	114,229	119,960	123,596
Accumulated amortisation:			
At 1 January	118,272	111,081	113,088
Charge for the year	8,340	2,742	4,233
Written back on disposals	(15,531)	(735)	–
At 31 December	111,081	113,088	117,321
Net book value:			
At 31 December	3,148	6,872	6,275

9. INVESTMENTS IN SUBSIDIARIES

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Unlisted shares, at cost	5,168	5,168	5,168
Less: impairment losses	(5,158)	(5,158)	(5,158)
	10	10	10

The following list contains the particulars of subsidiaries comprising the Group as at 31 December 2010, 2011 and 2012. All of the subsidiaries are limited liability companies.

Name of subsidiary	Place of incorporation and operation	Issued and paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
CTM (HK) Limited (formerly named as TeleOne (HK) Ltd.)	Hong Kong	100 shares of HK$100 each	–	100%	Telecommunications services
*TeleOne (Singapore) Pte Ltd.	Singapore	2 shares of SG$1 each	–	100%	Telecommunications services
*TeleOne China (Zhuhai) Co Ltd.	The People's Republic of China	5,000,000 shares of HK$1 each	100%	–	Telecommunications services
*Canton Holdings Limited	Cayman Islands	1,000 shares of US$1 each	100%	–	Investment holding

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 0.61% and 0.46% respectively of the related consolidated totals in 2012.

10. INVENTORIES

Inventories in the statements of financial position comprise:

The Group and the Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Inventories related to telecommunications systems	1,299	2,496	5,855
Inventories for resale	51,973	105,125	99,533
Inventories related to business solution projects	49,191	21,124	19,117
	102,463	128,745	124,505

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group and the Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Carrying amount of inventories sold	521,364	1,560,770	2,709,558

11. TRADE AND OTHER RECEIVABLES

The Group

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Trade debtors	205,805	215,583	253,653
Less: allowance for doubtful debts	(2,509)	(6,613)	(7,321)
	203,296	208,970	246,332
Accrued revenue	124,315	135,606	87,242
Amounts due from affiliates of the shareholders	–	1,475	5,118
Other debtors and prepayments	22,820	44,285	60,784
	350,431	390,336	399,476

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Trade debtors	204,558	214,884	249,976
Less: allowance for doubtful debts	(2,265)	(6,527)	(6,627)
	202,293	208,357	243,349
Accrued revenue	123,652	135,266	86,640
Amounts due from affiliates of the shareholders	–	1,475	5,118
Amounts due from subsidiaries	11,848	12,283	13,657
Other debtors and prepayments	22,562	44,227	60,367
	360,355	401,608	409,131

The aggregate amounts of costs incurred plus recognised profits less recognised losses to date, included in the trade and other receivables for business solutions projects at 31 December 2010, 2011 and 2012, are MOP50,132,000, MOP119,737,000 and MOP74,987,000, respectively.

Accrued revenue represents unbilled revenue relating to telecommunications services and business solutions projects.

All of the trade receivables (net of allowance for doubtful debts) and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

The Group

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Within 1 month	150,427	140,124	152,310
1 to 2 months	29,261	47,370	48,360
2 to 3 months	19,440	13,946	20,445
Over 3 months	4,168	7,530	25,217
	203,296	208,970	246,332

The Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Within 1 month	149,663	139,658	151,197
1 to 2 months	29,117	47,307	47,772
2 to 3 months	19,460	13,860	20,642
Over 3 months	4,053	7,532	23,738
	202,293	208,357	243,349

Trade debtors in respect of corporate customers are due within 30 days from the date of billing whilst trade debtors relating to individuals are due within 20 days from the date of billing. Further details on the Group's credit policy are set out in note 18(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(h)(i)).

The movement in the allowance for doubtful debts during the Relevant Period, including both specific and collective loss components, is as follows:

The Group

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
At 1 January	2,375	2,509	6,613
Impairment loss recognised	2,217	8,382	4,292
Uncollectible amounts written off	(2,083)	(4,278)	(3,584)
At 31 December	2,509	6,613	7,321

The Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
At 1 January	2,106	2,265	6,527
Impairment loss recognised	2,377	8,432	3,684
Uncollectible amounts written off	(2,218)	(4,170)	(3,584)
At 31 December	2,265	6,527	6,627

At 31 December 2010, 2011 and 2012, the Group's and the Company's trade debtors of nil, MOP4,169,000 and MOP4,325,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in disputes and management assessed that a portion of the receivables may not be recovered. Consequently, specific allowances for doubtful debts for these receivables were recognised.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

The Group

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Neither past due nor impaired	150,225	139,853	152,323
Less than 1 month past due	23,277	40,720	38,378
1 to 2 months past due	18,312	12,571	19,371
Over 2 months past due	3,341	6,830	22,980
	44,930	60,121	80,729
	195,155	199,974	233,052

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Neither past due nor impaired	149,461	139,387	151,303
Less than 1 month past due	23,133	40,658	38,378
1 to 2 months past due	18,329	12,457	19,371
Over 2 months past due	2,985	6,774	22,980
	44,447	59,889	80,729
	193,908	199,276	232,032

Receivables that were neither past due nor impaired relate to a wide range of corporate and individual customers from whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent corporate and individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. LOANS TO RELATED PARTIES

The Group

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Loans to affiliates of the following shareholders:			
– Cable & Wireless Communications Group	255,000	326,400	428,400
– Portugal Telecom Group	140,000	179,200	235,200
– CITIC Telecom International Group	100,000	128,000	168,000
	495,000	633,600	831,600

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Loans to affiliates of the following shareholders:			
– Cable & Wireless Communications Group	255,000	326,400	428,400
– Portugal Telecom Group	140,000	179,200	235,200
– CITIC Telecom International Group	100,000	128,000	168,000
Loan to subsidiary	6,116	6,119	6,534
	501,116	639,719	838,134

The loans to the affiliates of the Company's shareholders as at 31 December 2010, 2011 and 2012 are unsecured, interest bearing at the prevailing market rate and repayable in March of the following year.

The loan to subsidiary, TeleOne (Singapore) Pte Limited, is denominated in Singapore dollars, unsecured, interest bearing at the prevailing market rate and repayable on demand.

13. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Cash at bank and in hand	527,342	568,678	311,574
Short-term bank deposits	100,000	170,000	250,000
	627,342	738,678	561,574

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Cash at bank and in hand	521,303	563,216	307,057
Short-term bank deposits	100,000	170,000	250,000
	621,303	733,216	557,057

(b) Reconciliation of profit before taxation tax to cash generated from operations:

	2010 *MOP'000*	2011 *MOP'000*	2012 *MOP'000*
Profit before taxation	925,565	1,057,375	1,101,101
Adjustments for:			
– Depreciation and amortisation	269,997	260,605	270,518
– Interest income	(1,436)	(5,850)	(12,035)
– Expense recognised in respect of defined benefit retirement plan	5,681	5,618	8,230
– Net gain on sale of property, plant and equipment	(363)	(375)	(481)
Operating profit before changes in working capital	1,199,444	1,317,373	1,367,333
– Decrease/(increase) in inventories	(59,508)	(26,282)	4,240
– Increase in trade and other receivables	(74,970)	(37,883)	(3,863)
– Decrease in net defined benefit retirement obligation	(9,278)	(8,621)	(11,248)
– Increase in trade and other payables	107,926	210,022	54,832
Cash generated from operations	1,163,614	1,454,609	1,411,294

(c) Loans to affiliates of the shareholders as at 31 December 2010 and 2011, amounting to MOP495,000,000 and MOP633,600,000, were settled through offsetting the final dividend approved in March 2011 and 2012 respectively (note 17(b)).

14. TRADE AND OTHER PAYABLES

The Group

	2010 *MOP'000*	2011 *MOP'000*	2012 *MOP'000*
Creditors and accruals	434,182	597,724	635,989
Amounts due to fellow subsidiaries	438	–	662
Receipts in advance			
– Business solutions projects	3,900	43,239	45,489
– Telecommunications services	127,716	135,295	148,950
	566,236	776,258	831,090

The Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Creditors and accruals	433,560	596,282	634,295
Amounts due to fellow subsidiaries	438	–	662
Amounts due to subsidiaries	12,075	12,284	12,336
Receipts in advance			
– Business solutions projects	3,900	43,239	45,489
– Telecommunications services	125,988	134,754	148,332
	575,961	786,559	841,114

Amounts due to fellow subsidiaries and subsidiaries are unsecured, interest-free and repayable on demand. All the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

As at the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

The Group and the Company

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Within 1 month	150,427	140,124	152,310
1 to 3 months	48,701	61,316	68,805
Over 3 months but within 6 months	4,168	7,530	25,217
	203,296	208,970	246,332

15. POST-EMPLOYMENT BENEFIT PLANS

The Company makes contributions to two post-employment benefit plans. The CTM Staff Provident Fund is a defined benefit retirement plan and the Defined Contribution Fund is a defined contribution retirement plan. The plans are administered by independent trustees with their assets held separately from those of the Group.

(a) CTM Staff Provident Fund

The CTM Staff Provident Fund ("the Fund") was established on 1 January 2003 to replace a staff provident fund of a previous constitution. The Fund is registered with the Monetary Authority of Macao and is under the management of Macau Life Insurance Company Limited. The members of the Fund are all the employees who were members of the original staff provident fund as at 31 December 2002. No new members joined the Fund after 1 May 2002. The members are required to make contributions to the Fund at 5% of their relevant income. The Company is required to make contributions to the Fund in accordance with an independent actuary's recommendation based on periodic actuarial valuations. The Company is also obliged to make any extraordinary contributions which may be deemed necessary by Macau Life Insurance Company Limited when there are insufficient assets in the Fund to meet the liabilities of the Fund or when such insufficiency is anticipated. Upon retirement or resignation, each member is entitled to receive a lump sum payment calculated on the basis of a multiplying factor ranging from 0.6 to 2 times the final monthly salary and the number of service year that the member has served with the Company.

The independent actuarial valuations of the Fund at 31 December 2010, 2011 and 2012 were prepared by Towers Watson & Co., using the projected unit credit method. The actuarial valuations indicate that the Company's obligations under the Fund is 88%, 70% and 71% covered by the plan assets held by the trustees as at 31 December 2010, 2011 and 2012 respectively.

Commencing in 2006, the Company has applied the alternative option of IAS 19, whereby actuarial gains and losses are taken immediately and fully reflected as defined benefit retirement assets or obligation in the statements of financial position through other comprehensive income.

(i) The amounts recognised in the statements of financial position are as follows:

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Fair value of plan assets	220,858	192,011	204,542
Present value of plan obligation	(251,210)	(272,858)	(289,303)
	(30,352)	(80,847)	(84,761)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group expects to pay MOP11 million in contributions to the Fund in 2013.

(ii) Plan assets consist of the following:

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Cash and money market	12,567	17,281	12,272
Bonds	84,339	78,725	85,908
Equity securities	123,952	96,005	106,362
	220,858	192,011	204,542

(iii) Movements in the present value of the defined benefit obligation:

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Balance at 1 January	251,497	251,210	272,858
Benefits paid by the Fund	(26,356)	(33,524)	(23,952)
Employee contributions	4,659	4,323	4,273
Current service cost	8,296	7,545	8,491
Interest cost	8,449	9,395	9,288
Actuarial losses	4,665	33,909	18,345
Balance at 31 December	251,210	272,858	289,303

(iv) Movements in plan assets

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Balance at 1 January	218,855	220,858	192,011
Employer's and employees' contributions paid to the Fund	13,937	12,944	15,521
Benefits paid by the Fund	(26,356)	(33,524)	(23,952)
Actuarial expected return on plan assets	11,064	11,322	9,549
Actuarial gains/(losses)	3,358	(19,589)	11,413
Balance at 31 December	220,858	192,011	204,542

(v) Expense recognised in the consolidated income statement

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Current service cost	8,296	7,545	8,491
Interest cost	8,449	9,395	9,288
Actuarial expected return on plan assets	(11,064)	(11,322)	(9,549)
	5,681	5,618	8,230

The actual return on plan assets of the Group (taking into account all changes in the fair value of the plan assets excluding contributions paid and received) was net income of MOP14 million in 2010, net loss of MOP8 million in 2011 and net income of MOP21 million in 2012.

(vi) Actuarial losses recognised in other comprehensive income

The Group

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Amount accumulated in retained profits at 1 January	(47,237)	(48,544)	(102,042)
Recognised during the year	(1,307)	(53,498)	(6,932)
Amount accumulated in retained profits at 31 December	(48,544)	(102,042)	(108,974)

(vii) The principal actuarial assumptions used as at 31 December 2010, 2011 and 2012 (expressed as weighted averages) are as follows:

	2010	2011	2012
Expected rate of return on plan assets at 1 January	6.4% p.a.	6.0% p.a.	5.0%p.a.
Discount rate at 31 December	4.0% p.a.	3.5% p.a.	3.7%p.a.
Salary escalation	2.0% p.a.	2.5% p.a.	3.0%p.a.

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

(viii) Historical information

	2008	2009	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Fair value of plan assets	177,293	218,855	220,858	192,011	204,542
Present value of the defined benefit obligation	(203,091)	(251,497)	(251,210)	(272,858)	(289,303)
Deficit in the plan	(25,798)	(32,642)	(30,352)	(80,847)	(84,761)
Experience adjustments arising on plan liabilities	*Note*	5,117	6,116	10,472	11,311
Experience adjustments arising on plan assets	(80,573)	31,363	3,358	(19,589)	(11,406)

Note: Information not available

(b) Defined Contribution Fund

The Defined Contribution Fund was set up under the terms of Decree Law 6/99/M and registered with the Monetary Authority of Macao. The Defined Contribution Fund is for all full time Macau employees who joined the Company after 1 May 2002. The Defined Contribution Fund is under the management of Macau Life Insurance Company Limited. The employees and the Company are each required to make contributions to the Defined Contribution Fund at 5% of the employee's relevant income. Contributions to the Defined Contribution Fund vest immediately.

16. SHARE BASED PAYMENTS

In 2008, some employees of the Company were invited to participate the Colleague Retention Plan ("CRP"), a share based incentive plan operated by the Company's ultimate holding company.

The CRP was a 3 year incentive plan starting from August 2008. The CRP was provided to senior management and selective executives of the Company. The award was calculated based on the share price of the ultimate holding company at the payment award date and the award was paid to the plan members in cash annually up to August 2011.

Up to the end of the incentive plan, MOP4 million had been awarded and paid to plan members.

17. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Relevant Period are set out below:

The Company

	Note	**Share capital** *MOP'000*	**Legal reserve** *MOP'000* *(Note 17(d)(i))*	**Capital contribution reserve** *MOP'000* *(Note 17(d)(ii))*	**Retained profits** *MOP'000*	**Total** *MOP'000*
At 1 January 2010		150,000	37,500	11,225	987,716	1,186,441
Changes in equity for 2010:						
Profit for the year		–	–	–	814,255	814,255
Other comprehensive income		–	–	–	(655)	(655)
Total comprehensive income		–	–	–	813,600	813,600
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(323,000)	(323,000)
At 31 December 2010		150,000	37,500	11,225	1,478,316	1,677,041
At 1 January 2011		150,000	37,500	11,225	1,478,316	1,677,041
Changes in equity for 2011:						
Profit for the year		–	–	–	933,594	933,594
Other comprehensive income		–	–	–	(47,079)	(47,079)
Total comprehensive income		–	–	–	886,515	886,515
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(813,000)	(813,000)
At 31 December 2011		150,000	37,500	11,225	1,551,831	1,750,556
At 1 January 2012		150,000	37,500	11,225	1,551,831	1,750,556
Changes in equity for 2012:						
Profit for the year		–	–	–	969,329	969,329
Other comprehensive income		–	–	–	(6,099)	(6,099)
Total comprehensive income		–	–	–	963,230	963,230
Dividend approved in respect of the previous year	*17(b)(ii)*	–	–	–	(932,000)	(932,000)
At 31 December 2012		150,000	37,500	11,225	1,583,061	1,781,786

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Final dividend proposed after the end of the reporting period (2010: MOP5,420 per share; 2011: MOP6,213 per share; 2012: MOP6,460 per share)	813,000	932,000	969,000

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Part of the above final dividend attributable to the financial year of 2012 was settled through offsetting the loans to affiliates of shareholders in February 2013 of MOP831,600,000.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Final dividend in respect of the previous financial year, approved and paid during the year (2010: MOP2,153 per share; 2011: MOP5,420 per share; 2012: MOP6,213 per share)	323,000	813,000	932,000

Part of the above final dividend attributable to the financial years of 2010 and 2011 was settled through offsetting the loans to affiliates of shareholders in 2011 and 2012 of MOP495,000,000 and MOP633,600,000 respectively, as mentioned in note 13(c).

(c) Share capital

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Authorised, issued and fully paid:			
150,000 shares of MOP1,000 each, carrying one voting right for every 20 shares	150,000	150,000	150,000

(d) Nature and purpose of reserves

(i) Legal reserve

The non-distributable legal reserve of MOP37,500,000, representing 25% of the capital of the Company, has been provided for in accordance with Article 432 of the Commercial Code (Decree Law No. 40/99/M) and the Company's Articles of Association.

(ii) Capital contribution reserve

The capital contribution reserve comprises the fair value of the actual or estimated number of shares granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(m)(iii).

(e) Distributability of reserves

As at 31 December 2010, 2011 and 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was MOP1,478,316,000, MOP1,551,831,000 and MOP1,583,061,000 respectively.

After the end of the reporting period, the directors proposed a final dividend of MOP5,420 per share, MOP6,213 per share and MOP6,460 per share for 2010, 2011 and 2012 respectively, amounting to MOP813,000,000, MOP932,000,000 and MOP969,000,000 (note 17(b)(i)). The dividend has not been recognised as a liability at the end of the reporting period.

During 1988 to 1999, CTM had claimed to the Macau tax authority in an amount of MOP718,216,000 of retained profits for deduction of Macau Complementary Tax as profit reinvestment (the tax rate prevailing at the time was 15%). In case CTM distributes dividends out of this part of retained profits, the Macau tax authority may take the view of these distributed profits as taxable income.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a Debt-to-Equity ratio. For this purpose, the Group defines Debt as total debts (which includes interest-bearing loans and borrowings, trade and other payables and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Equity comprises all components of equity and reserves, less unaccrued proposed dividends.

The Group's strategy during the Relevant Period was to maintain the Debt-to-Equity ratio at a minimum level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

18. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and loans to related parties. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors in respect of corporate customers are due within 30 days from the date of billing whilst trade debtors relating to individuals are due within 20 days from the date of billing. Normally, the Group does not obtain collateral from customers.

In respect of loans to related parties, given their high credit ratings and no past history of default, management does not expect any of these related parties to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry or country in which the customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain concentration of credit risk as 27%, 18% and 14% of the total trade and other receivables was due from the largest five customers as at 31 December 2010, 2011 and 2012 respectively.

Except for the performance bonds given by the Group as stated in note 20, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these performance bonds as at 31 December 2010, 2011 and 2012 is disclosed in note 20.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 11.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Details of the components of the Group's financial liabilities at 31 December 2010, 2011 and 2012 are set out in note 14. Since the Group does not have any loan financing, the maximum exposure to short-term liquidity risk is reflected by the balance of trade and other payables which arise from daily operations.

(c) Interest rate risk

The Group's exposure to market risk for changes in interest rate risk is concentrated in its holdings of short term bank deposits and the loans to affiliates of shareholders. The Group does not anticipate significant impact to cash and cash equivalents and loans to affiliates of shareholders as their interest rates are not expected to fluctuate significantly. The Group does not carry out any hedging activities to manage its interest rate exposure.

(d) Currency risk

The Group is exposed to currency risks primarily arising from trade and other receivables, cash and cash equivalents and trade and other payables that are denominated mainly in Hong Kong Dollars (HKD), United States Dollars (USD) and Renminbi (RMB). As Macau Patacas is pegged to HKD as well as USD, the Group considers the risk of movements in exchange rates between Macau Patacas, HKD and USD to be insignificant. In respect of trade and other receivables, cash and cash equivalents and trade and other payables denominated in foreign currency other than HKD or USD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group did not have any significant forward exchange contracts outstanding on 31 December 2010, 2011 and 2012.

The following table details the exposure to currency risk for the Group at the end of the reporting period arising from recognised assets or liabilities denominated in a currency other than Macau Patacas. For presentation purposes, the amounts of the exposure are expressed in Macau Patacas.

The Group

At 31 December 2010

	HKD '000	USD '000	RMB '000
Trade and other receivables	5,934	39,625	–
Cash and cash equivalents	172,020	23,889	1,220
Trade and other payables	(16,404)	(26,726)	(155)
	161,550	36,788	1,065

At 31 December 2011

	HKD '000	USD '000	RMB '000
Trade and other receivables	6,769	43,839	–
Cash and cash equivalents	127,878	12,495	956
Trade and other payables	(2,751)	(19,400)	–
	131,896	36,934	956

At 31 December 2012

	HKD '000	USD '000	RMB '000
Trade and other receivables	11,212	24,610	–
Cash and cash equivalents	40,877	9,852	1,201
Trade and other payables	(11,744)	(13,014)	–
	40,345	21,448	1,201

The Company

At 31 December 2010

	HKD '000	USD '000	RMB '000
Trade and other receivables	5,934	32,384	–
Cash and cash equivalents	170,632	20,764	2
Trade and other payables	(14,979)	(26,726)	(155)
	161,587	26,422	(153)

At 31 December 2011

	HKD *'000*	USD *'000*	RMB *'000*
Trade and other receivables	6,769	34,638	–
Cash and cash equivalents	127,215	9,090	–
Trade and other payables	(2,751)	(19,400)	–
	131,233	24,328	–

At 31 December 2012

	HKD *'000*	USD *'000*	RMB *'000*
Trade and other receivables	11,212	14,218	–
Cash and cash equivalents	40,488	7,095	–
Trade and other payables	(11,744)	(13,014)	–
	39,956	8,299	–

Due to the linked exchange rates of the USD relative to the HKD and Macau Patacas, the Group's currency risk principally arises from its assets and liabilities denominated in foreign currencies other than the USD and HKD. Based on the above table, there is no significant impact on the Group's profit after taxation and other components of consolidated equity if RMB appreciates/depreciates by 5%.

(e) Fair values

At 31 December 2010, 2011 and 2012, all financial instruments were carried at amounts not materially different from their fair values.

(f) Estimation of fair values

For interest bearing receivables, the fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

19. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010, 2011 and 2012 not provided for in the Financial Information were as follows:

The Group and the Company

	2010 *MOP'000*	**2011** *MOP'000*	**2012** *MOP'000*
Authorised and contracted for	39,417	72,960	58,219
Authorised but not contracted for	37,909	75,842	62,930
	77,326	148,802	121,149

(b) At 31 December 2010, 2011 and 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Within 1 year	29,948	23,209	40,282
After 1 year but within 5 years	1,189	210	7,216
	31,137	23,419	47,498

The Group is the lessee in respect of a number of properties, cell sites and international private leased circuit held under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

20. PERFORMANCE BONDS

The performance bonds at 31 December 2010, 2011 and 2012 for which no provision has been made in the Financial Information are as follows:

The Group and the Company

	2010	**2011**	**2012**
	MOP'000	*MOP'000*	*MOP'000*
Performance bonds provided to:			
Macau Government in accordance with Article 52 of the renewed concession agreement on fixed line services	2,000	2,000	2,000
Macau Government in accordance with Clause 4, paragraph 1 of the WCDMA Licence	2,000	2,000	2,000
Macau Government in accordance with Article 4 of the Mobile Licence	2,000	2,000	–
Macau Government for a project to relocate the Group's shore end connection of SEA-ME-WE 3 submarine cable to a new location	38,862	38,862	38,862
Customers of business solutions projects	21,544	17,766	25,394
	66,406	62,628	68,256

At the end of each reporting period, the directors do not consider it probable that a claim will be made against the Group and the Company under any of the performance bonds.

21. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Short term employee benefits	15,133	24,634	29,032
Post-employment benefits	698	599	560
	15,831	25,233	29,592

Total remuneration is included in "staff costs" (note 5(b)).

(b) Financing arrangements

		Amount owed to the Group by related parties At 31 December			Related interest income Year ended 31 December		
	Note	2010	2011	2012	2010	2011	2012
		MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Loans to affiliates of the shareholders	*(i), (ii)*	495,000	633,600	831,600	1,086	4,724	7,991

Notes:

(i) The loans to the affiliates of the Company's shareholders as at 31 December 2010, 2011 and 2012 are unsecured, interest bearing at the prevailing market rate and repayable in the following year.

(ii) No provisions for bad or doubtful debts have been made in respect of these loans.

(c) **Other related party transactions**

The Group and the Company had the following recurring transactions with related parties in the normal course of business during the Relevant Period.

	2010	2011	2012
	MOP'000	*MOP'000*	*MOP'000*
Telecommunications service revenue receivable/received from affiliates of shareholders	11,002	15,092	14,567
Cost of telecommunications service payable/paid to affiliates of shareholders	20,622	22,722	18,804
Other operating expenses payable/paid to affiliates of shareholder	8,329	9,184	8,308
Capital expenditure payable/paid to affiliates of shareholder	553	1,260	273

(d) **Balances with related parties at 31 December**

	Note	2010	2011	2012
		MOP'000	*MOP'000*	*MOP'000*
Loans to affiliates of the shareholders	*12*	495,000	633,600	831,600
Amounts due from affiliates of the shareholders	*11*	–	1,475	5,118
Amounts due to fellow subsidiaries	*14*	(438)	–	(662)

22. IMMEDIATE PARENT AND ULTIMATE CONTROLLING PARTY

At 31 December 2010, 2011 and 2012, the directors consider the immediate parent and ultimate controlling party of the Group to be Sable Holding Limited and Cable & Wireless Communications PLC, respectively, both incorporated in the United Kingdom. Cable & Wireless Communications PLC is listed on the London Stock Exchange and prepares financial statements available for public use.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the period beginning on 1 January 2012 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
Annual Improvements to IFRSs 2009–2011 Cycle	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

24. STATUTORY AUDIT

The financial statements of the companies comprising the Group which are subject to audit during the Relevant Period were audited by the following auditors:

Name of company	Financial year	Name of auditors
Companhia de Telecomunicações de Macau, S.A.R.L.	Years ended 31 December 2010, 2011 and 2012	KPMG Macau
CTM (HK) Limited (formerly named as TeleOne (HK) Ltd.)	Years ended 31 March 2010, 2011 and 2012	KPMG
TeleOne (Singapore) Pte Ltd.	Years ended 31 March 2010, 2011 and 2012	James Chan & Partners LLP
TeleOne China (Zhuhai) Co Ltd.	Years ended 31 December 2010, 2011 and 2012	Zhuhai Anderly United CPA

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2012.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF CTM GROUP

Set out below is management's discussion and analysis of CTM Group's results of operation for each of the three years ended 31 December 2010, 2011 and 2012.

1. Operational Review

For the year ended 31 December 2012 compared to the year ended 31 December 2011

CTM Group's turnover for the year ended 31 December 2012 reached MOP4,922.2 million, representing a 23.6% increase from the preceding year of MOP3,981.9 million. This growth in turnover was mainly attributable to sales of goods (primarily due to the increasing popularity of smartphones), reflecting a growth of 65.1% (MOP999.3 million) against the previous year. Excluding sales of goods, turnover decreased by 2.4% (MOP59.0 million) in 2012, mainly driven by the decrease in business solutions for enterprise customers as a result of the cyclical nature of casino/hotel developments in Macau. The drop in gross margin of business solutions was compensated by the growth in mobile services and leased lines which led to a growth of overall gross margin of 3% (MOP58 million). As a result, CTM Group's profit for the year increased by 4.0% from MOP932.2 million in 2011 to MOP969.3 million in 2012.

Mobile Services

Mobile revenue increased from MOP2,306.1 million in 2011 by 47.1% to MOP3,393.2 million in 2012. The increase was mainly driven by increased handset sales, increase in customer base and growth in mobile broadband revenue.

Handset sales increased from MOP1,515.5 million in 2011 by 66.3% to MOP2,519.8 million in 2012. The increase was mainly driven by the increasing popularity of smartphones which have a higher selling price per unit.

The Macau mobile penetration rate reached around 279.8% by the end of 2012. At the same time, CTM Group's mobile customer base increased by 17.6% to 745,460 (2011: 633,936). The number of mobile broadband subscribers increased by 34.5% to 165,512 (2011: 123,079).

Fixed line Services

Fixed line revenue decreased from MOP598.7 million in 2011 by 9.7% to MOP540.9 million in 2012. The decrease was mainly due to continuing migration of customers to mobile telecommunications, increased pricing pressure on IDD service from competitors, the popularity of VoIP as well as the drop in international transit voice revenue due to worldwide competition.

During the year ended 31 December 2012, CTM Group received a total of 13,589 (2011: 15,560) applications for new direct exchange lines. The overall number of installations during the year was 13,784 (2011: 15,511), comprising 8,367 direct exchange lines and 5,417 external removals. The number of lines decreased by 3,777 (2011: 2,064) after a cessation of 17,561 (2011: 17,575). The total system size at the end of the year was 162,533 lines (2011: 166,310). The total outgoing international telephone minutes originating in Macau for 2012 was 133 million, representing a 6% increase compared to 2011. The total incoming international telephone minutes terminated in Macau for 2012 was 167 million, representing a 5% decrease compared to 2011.

Internet Services

Internet revenue increased from MOP435.7 million in 2011 by 4.3% to MOP454.3 million in 2012. The increase was driven by growing customer base.

The total internet customer base grew by 5% to 145,120 (2011: 138,222) in 2012, whilst 11% of the existing customers opted to upgrade to packages offering higher bandwidth.

Enterprise Solutions Services and others

Revenue from enterprise solutions and others including leased line services decreased from MOP641.4 million in 2011 by 16.8% to MOP533.8 million in 2012. The decrease was mainly due to the cyclical nature of casino/hotel developments.

For the year ended 31 December 2011 compared to the year ended 31 December 2010

CTM Group's turnover increased by 44.3% from MOP2,760.2 million in 2010 to MOP3,981.9 million in 2011. The increase in revenue was mainly due to sales of mobile equipment, reflecting a growth of 208% over the same period in preceding year. Excluding the sales of mobile equipment, the revenues grew by 9% during 2011. As a result, CTM Group's net profit increased by 14.6% from MOP813.5 million in 2010 to MOP932.2 million in 2011.

Mobile Services

Mobile revenue increased from MOP1,218.1 million in 2010 by 89.3% to MOP2,306.1 million in 2011. The increase was mainly driven by increased handset sales, increases in customer base and growth in mobile broadband revenue.

Handset sales increased from MOP492.4 million in 2010 by 208% to MOP1,515.5 million in 2011. The increase was mainly driven by the increasing popularity of smart phones which have a higher selling price per unit.

The Macau mobile penetration rate reached around 243% by the end of 2011. At the same time, CTM's mobile customer base increased by 23% to 633,936. Throughout the year 2011, the 3G customer base continued to grow reaching 89% of the total mobile subscriber base by the year end. At the same time, there was a fast uptake of mobile broadband in which the subscriber base had doubled that of 2010 to 123,079 in 2011.

Fixed line Services

Fixed line revenue decreased from MOP649.6 million in 2010 by 7.8% to MOP598.7 million in 2011. The decrease was mainly due to the continuing migration of customers to mobile telecommunications, increased pricing pressure on IDD service from competitors, the popularity of VoIP as well as drop in international transit voice revenue due to worldwide competition.

The total outgoing international telephone minutes originating in Macau for 2011 was 126 million, representing 4% increase compared to 2010. The total incoming international telephone minutes terminated in Macau for 2011 was 175 million, also a 4% increase compared to 2010.

Internet Services

Internet revenue increased from MOP389.0 million in 2010 by 12.0% to MOP435.7 million in 2011. The increase was driven by increases in the customer base and usage.

The total internet customer base grew 4% to 138,222 for the year 2011, whilst 15% of the existing customers opted to upgrade to price packages offering higher bandwidth.

Enterprise Solution Services and others

Revenue for enterprise solutions and others, including leased line services, increased from MOP503.5 million in 2010 by 27.4% to MOP641.4 million in 2011. The increase was mainly due to the resumption of the casino/hotel business solutions projects that were put on hold in 2009 and 2010 during the downturn of the economy.

2. Group Liquidity and Capital Resources

CTM Group's primary objectives in managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

For the year ended 31 December 2012 compared to the year ended 31 December 2011

During the year ended 31 December 2012, CTM Group's cash and cash equivalents remained healthy at MOP561.6 million (31 December 2011: MOP738.7 million). CTM Group had net operating cash inflow of MOP1,284.7 million as at 31 December 2012, a decrease of MOP58.9 million when compared with the corresponding period for 2011. The decrease was due to settlement of trade payables to handset suppliers due to large purchases of handsets at the end of last year. As at 31 December 2012, CTM Group had no outstanding financial debts and borrowings.

For the year ended 31 December 2011 compared to the year ended 31 December 2010

During the year ended 31 December 2011, CTM Group's cash and cash equivalents improved to MOP738.7 million (31 December 2010: MOP627.3 million). CTM Group had net operating cash inflow of MOP1,343.6 million at 31 December 2011, an increase of MOP280.5 million when compared with the corresponding period for 2010. The increase was due to increase in profit contribution from mobile, internet and enterprise solutions, as well as increases in trade payables to handset suppliers due to large purchases of handsets at the year end. As at 31 December 2011, CTM Group had no outstanding financial debts and borrowings.

a. Bank Borrowings

As at 31 December 2010, 2011 and 2012, CTM Group had no outstanding loans and borrowings.

b. Capital Commitments

As at 31 December 2010, 2011 and 2012, CTM Group had outstanding capital commitments of MOP77.3 million, MOP148.8 million and MOP121.1 million respectively, mainly for investments on projects such as expansion of the WCDMA 3G mobile, leased line, fixed line, broadband internet and Wi-Fi networks, the development of a platform to deliver TV and video application services, the development and enhancement of IT systems, and the opening and renovation of retail shops.

c. Gearing Ratio

CTM Group's gearing ratio is calculated based on total liabilities divided by total assets. At 31 December 2010, 2011 and 2012, CTM Group's gearing ratio was approximately 0.30, 0.36 and 0.37, respectively.

d. Securities and Guarantees

As at 31 December 2010, 2011 and 2012, the total amount of the performance bonds issued by CTM Group were MOP66.4 million, MOP62.6 million and MOP68.3 million respectively.

As at 31 December 2012, CTM Group had the following performance bonds for which no provision has been made in the financial statements:

(a) performance bonds of MOP2.0 million provided to the Macau Government in accordance with Article 52 of the renewed Macau Concession;

(b) performance bonds of MOP2.0 million provided to the Macau Government in accordance with Clause 4, paragraph 1 of the WCDMA License;

(c) performance bonds of MOP38.9 million provided to the Macau Government for a project to relocate CTM Group's shore end connection of SEA-ME-WE 3 submarine cable to a new location; and

(d) performance bonds of MOP25.4 million provided by CTM given to various customers to complete business solutions projects in accordance with the respective contractual terms and conditions.

As at 31 December 2012, the directors of CTM did not consider it probable that a claim will be made against CTM Group under the above performance bonds. No provision has therefore been made for such guarantees and performance bonds.

Certain fixed assets of CTM Group are designated for the provision of basic infrastructure of the public telecommunications services. Such fixed assets might need to be shared with other licensed telecommunications operators or the Macau Government with fair compensation, or, upon termination of Macau Concession, assigned in favour of the Macau Government.

Save as disclosed above, as at 31 December 2012, CTM Group had no pledged or charged assets.

3. Contingent Liabilities

Save for the financial guarantees given by CTM Group as stated in the paragraph headed "d. Securities and Guarantees" above in this section, as at 31 December 2010, 2011 and 2012, CTM Group had no other significant contingent liabilities.

4. Risk Management

a. Exchange Rate Risk

CTM Group's functional currency is Macau Patacas. CTM Group is exposed to currency risks primarily arising from trade and other receivables, cash and cash equivalents and trade and other payables that are denominated mainly in Hong Kong dollars, United States dollars and Renminbi. As Macau Patacas are pegged to Hong Kong dollars as well as United States dollars, CTM Group considers the risk of movements in exchange rates between these currencies to be insignificant. At 31 December 2010, 2011 and 2012, CTM Group did not have any significant forward exchange contracts outstanding.

b. Credit Risk

CTM Group's credit risk is primarily attributable to trade and other receivables and loans to related parties. Trade receivables are due within 20–30 days from the date of billing. Debtors with balances that are more than 1–2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, CTM Group does not obtain collateral from customers. In respect of loans to related parties, given their high credit standing and no past history of default, management does not expect any of these related parties to fail to meet its obligations.

At 31 December 2010, 2011 and 2012, CTM Group has certain concentration of credit risk as 27%, 18% and 14%, respectively, in respect of the total trade and other receivables due from the largest five customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statements of financial position after deducting any impairment allowance. Except for the performance bonds given by CTM Group as stated in the paragraph headed "d. Securities and Guarantees" above in this section, CTM Group does not provide any other guarantees which would expose CTM Group to credit risk.

5. Capital Expenditure

For the three years ended 31 December 2010, 2011 and 2012, CTM Group's total capital expenditures were MOP206 million, MOP287 million and MOP339 million, respectively. CTM Group's capital expenditures comprised of investments on projects such as expansion of the WCDMA 3G mobile, leased line, fixed local and international and broadband internet networks, the development of a platform to deliver TV and video application services, the development and enhancement of IT systems, and the opening and renovation of retail shops.

Going forward, capital expenditure is expected to be driven by investments on the expansion of mobile, leased lines, broadband internet, local and international networks, Wi-Fi and online TV and video applications, as well as the improvement of network resilience. In relation to network enhancement and resilience, the investment in the mobile network includes the initial development of LTE (Long Term Evolution-4G), the elimination of single points of failure to ensure stability and diversity of the service. The main investments in the IT area are expected to cover the implementation of the "Convergent Rating, Billing and Mediation", "CRM" and "Revenue Assurance and Fraud Detection" systems.

6. Significant Investments, Material Acquisitions and Disposals

CTM Group had no material acquisitions or disposals of subsidiaries during the three years ended 31 December 2012.

7. Human Resources

At 31 December 2010, 2011 and 2012, CTM Group had a total of 841, 898 and 964 employees, respectively.

CTM Group offers remuneration packages based on the employees' performance, working experience and the prevailing market rates. CTM Group makes contributions to two post-employment benefit plans, the CTM Staff Provident Fund and the Defined Contribution Fund. CTM Group also organised a variety of employee activities including staff functions, volunteer charitable events and staff club activities to maintain a positive atmosphere and build team cohesion. CTM Group provides training courses to its employees to enhance their skills and abilities. To strengthen team communication, CTM Group also organises managers' briefings to share CTM Group's development plans.

8. Dividends

During 2010, CTM paid a total dividend of MOP323.0 million.

During 2011, CTM paid a total dividend of MOP813.0 million, including an amount of MOP495.0 million that was settled through offsetting the loans to affiliates of shareholders made in 2010. A new loan to affiliates of shareholders of MOP633.6 million was made by CTM during the year and this loan was repaid in March 2012.

During 2012, CTM paid a total dividend of MOP932.0 million, including an amount of MOP633.6 million that was settled through offsetting the loan to affiliates of shareholders made in 2011. A new loan to affiliates of shareholders of MOP831.6 million was made by CTM during the year and this loan was repaid in February 2013.

PROSPECTS AND FUTURE PLANS

CTM Group is the leading telecom enterprise in Macau offering full services of mobile and fixed line, internet and enterprises solutions.

CTM Group is prepared to address the challenges and opportunities of the liberalisation of the telecom market in Macau by continuing to provide good quality products and services to meet customers' demand and the developing needs of the territory.

CTM Group will continue to improve the standard of its retail services by expanding the retail shops network and extending servicing hours of the retail shops. CTM Group will continue to develop and adopt new technologies, such as cloud technology and 4G technology, and improve and upgrade the network infrastructure. CTM Group will continue its collaboration with major global cellphone manufacturers to introduce new products to Macau, and will also continue to invest to enhance its network coverage and broadband speed. CTM Group will continue to provide one-stop business solutions for enterprise customers in different sectors, including Macau government departments, educational institutions, hospitals and the gaming industry, and the major civil infrastructure constructions and major development projects.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the "**Unaudited Pro Forma Financial Information**") of the Group attributable to equity shareholders of the Company is prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the proposed Rights Issue of 3 Rights Shares for every 8 existing Shares on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2012.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets attributable to equity shareholders of the Company at 31 December 2012, as extracted from the published annual report of the Company for the year ended 31 December 2012, and adjusted to reflect the effect of the Rights Issue:

	HK$'000
Unaudited consolidated net tangible assets attributable to equity shareholders of the Company at 31 December 2012 *(Note 1)*	2,924,422
Estimated net proceeds from the Rights Issue *(Note 2)*	1,797,621
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company after the completion of the Rights Issue	4,722,043
Unaudited consolidated net tangible assets attributable to equity shareholders of the Company per Share at 31 December 2012 *(Note 3)*	HK$1.225
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share after the completion of the Rights Issue *(Note 4)*	HK$1.435

Notes:

1. The unaudited consolidated net tangible assets attributable to equity shareholders of the Company at 31 December 2012 represents the audited consolidated total net assets attributable to equity shareholders of the Company of approximately HK$3,432,703,000 at 31 December 2012 less intangible assets and goodwill of approximately HK$105,825,000 and HK$402,456,000 respectively, which are extracted from the published annual report of the Company for the year ended 31 December 2012.

2. The estimated net proceeds from the issue of the Rights Shares of approximately HK$1,797,621,000 are based on 903,723,326 Rights Shares to be issued at the Subscription Price of HK$2.02 per Rights Share (on the basis of 2,409,928,870 Shares in issue as at the Latest Practicable Date) and after deduction of estimated related expenses of approximately HK$27,900,000 and take no account of any additional Shares or Rights Shares to be issued as a result of the exercise of any vested Share Options.

3. The calculation of the unaudited consolidated net tangible assets attributable to equity shareholders of the Company per Share is based on the unaudited consolidated net tangible assets attributable to equity shareholders of the Company of HK$2,924,422,000 and on the basis of 2,386,675,370 Shares in issue at 31 December 2012.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company after the completion of the Rights Issue of HK$4,722,043,000 and on the basis of 3,290,398,696 Shares in issue, representing an aggregate of 2,386,675,370 Shares in issue at 31 December 2012 and adjusted for the effect of the 903,723,326 Rights Shares (calculated on the basis of 2,409,928,870 Shares in issue as at the Latest Practicable Date) issued under the Rights Issue assuming the Rights Issue has been completed on 31 December 2012.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2012. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company after the completion of the Rights Issue does not include the effect of:

   – the Acquisitions announced by the Company on 13 January 2013 and approved by the shareholders of the Company at the Extraordinary General Meeting held on 12 April 2013. The Company expects completion of the Acquisitions to take place in or before the third quarter of 2013; and

   – the listing of the US$450,000,000 6.1% guaranteed bonds due 2025 issued by a subsidiary of the Company and guaranteed by the Company by way of an issue of debt securities to professional investors as announced by the Company on 5 March 2013.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the reporting accountants of the Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this Prospectus, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

The Directors
CITIC Telecom International Holdings Limited

15 May 2013

Dear Sirs

CITIC Telecom International Holdings Limited ("the Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages IV-1 and IV-2 in Section A of Appendix IV to the prospectus of the Company dated 15 May 2013 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the rights issue might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Section A of Appendix IV to the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300, *Accountants' Reports on Pro Forma Financial Information in Investment Circulars*, issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and, accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the rights issue, the application of those net proceeds or whether such use will actually take place as described under the section headed "Reasons for the rights issue and use of proceeds" in the "Letter from the board" set out on pages 49 and 50 of the Prospectus.

Opinion

In our opinion:

a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Company, and

c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

2. SHARE CAPITAL OF THE COMPANY

Information about the authorised and issued share capital of the Company are as follows (assuming no new Shares are issued by the Company between the Latest Practicable Date and the Record Date):

	HK$
Authorised:	
5,000,000,000 ordinary shares of HK$0.10 each	500,000,000
Issued and fully paid:	
2,409,928,870 ordinary shares of HK$0.10 each	240,992,887
Rights Shares to be issued:	
903,723,326 ordinary shares of HK$0.10 each	90,372,333
Shares upon completion of the Rights Issue:	
3,313,652,196 ordinary shares of HK$0.10 each	331,365,220

All the issued Shares rank *pari passu* in all aspects, including all rights as to dividends, voting and interests in the share capital of the Company. The Rights Shares shall be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third party rights and rank *pari passu* in all respects with all other Shares in issue.

No part of the share capital or any other securities of the Company is listed on or dealt in any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed on or dealt in any other stock exchange.

Dealings in the Shares may be settled through CCASS and Shareholders should consult their stockbrokers or other registered dealers of securities, bank manager, solicitors, professional accountants or other professional advisers for details of these settlement arrangement and how such arrangements may affect their rights and interests.

As at the Latest Practicable Date, there is no arrangement under which future dividends are waived or agreed to be waived.

3. SHARE OPTIONS

As at the Latest Practicable Date, there were outstanding vested Share Options granted in respect of 28,396,500 Shares. Save for the outstanding Share Options as mentioned above, the Enlarged Group has no other outstanding convertible securities or options in issue or other similar rights which confer any right to convert or exchange into, or subscribe for, Shares as at the Latest Practicable Date.

Details of the outstanding Share Options granted to the Directors as at the Latest Practicable Date are set out in the paragraph headed "Disclosure of Interests" of this appendix.

The following are details of the outstanding Share Options granted to the employees of the Group as at the Latest Practicable Date:

Underlying shares pursuant to Share Options	Percentage of issued share capital *(%)*	Exercise price per Share *(HK$)*	Date of grant	Exercisable period
6,151,500	0.26	2.10	17.9.2009	17.9.2010–16.9.2015
7,599,500	0.32	2.10	17.9.2009	17.9.2011–16.9.2016
5,195,500	0.22	1.54	19.8.2011	19.8.2012–18.8.2017
19,652,500	0.82	1.54	19.8.2011	19.8.2013–18.8.2018

4. DISCLOSURE OF INTERESTS

(i) Directors' and Chief Executive's Interests and Short Position in shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

(a) Interest in Shares

Name of Director	Number of Shares Personal interests	Percentage of issued share capital *(%)*
Yuen Kee Tong	500,000	0.0207
David Chan Tin Wai	2,000	0.0001

(b) Interest in Share Options granted by the Company

Name of Director	Underlying shares pursuant to Share Options	Percentage of issued share capital *(%)*	Exercise price per Share *(HK$)*	Date of grant	Exercisable period
Xin Yue Jiang	900,000	0.0373	2.10	17.9.2009	17.9.2010–16.9.2015
	900,000	0.0373	2.10	17.9.2009	17.9.2011–16.9.2016
	1,250,000	0.0519	1.54	19.8.2011	19.8.2012–18.8.2017
	1,250,000	0.0519	1.54	19.8.2011	19.8.2013–18.8.2018

Name of Director	Underlying shares pursuant to Share Options	Percentage of issued share capital (%)	Exercise price per Share (HK$)	Date of grant	Exercisable period
Yuen Kee Tong	800,000	0.0332	2.10	17.9.2009	17.9.2010–16.9.2015
	800,000	0.0332	2.10	17.9.2009	17.9.2011–16.9.2016
	1,100,000	0.0456	1.54	19.8.2011	19.8.2012–18.8.2017
	1,100,000	0.0456	1.54	19.8.2011	19.8.2013–18.8.2018
David Chan Tin Wai	700,000	0.0290	2.10	17.9.2009	17.9.2010–16.9.2015
	700,000	0.0290	2.10	17.9.2009	17.9.2011–16.9.2016
	950,000	0.0394	1.54	19.8.2011	19.8.2012–18.8.2017
	950,000	0.0394	1.54	19.8.2011	19.8.2013–18.8.2018
Yang Xianzu	150,000	0.0062	2.10	17.9.2009	17.9.2010–16.9.2015
	150,000	0.0062	2.10	17.9.2009	17.9.2011–16.9.2016
	150,000	0.0062	1.54	19.8.2011	19.8.2012–18.8.2017
	150,000	0.0062	1.54	19.8.2011	19.8.2013–18.8.2018
Liu Li Qing	150,000	0.0062	2.10	17.9.2009	17.9.2010–16.9.2015
	150,000	0.0062	2.10	17.9.2009	17.9.2011–16.9.2016
	150,000	0.0062	1.54	19.8.2011	19.8.2012–18.8.2017
	150,000	0.0062	1.54	19.8.2011	19.8.2013–18.8.2018
Gordon Kwong Che Keung	150,000	0.0062	2.10	17.9.2009	17.9.2010–16.9.2015
	150,000	0.0062	2.10	17.9.2009	17.9.2011–16.9.2016
	150,000	0.0062	1.54	19.8.2011	19.8.2012–18.8.2017
	150,000	0.0062	1.54	19.8.2011	19.8.2013–18.8.2018

(c) Interest in shares of CITIC Pacific

	Number of Shares			
Name of Director	**Personal interests**	**Corporate interests**	**Total**	**Percentage of issued share capital** *(%)*
Yuen Kee Tong	1,033,000	–	1,033,000	0.0283
David Chan Tin Wai	40,000	–	40,000	0.0011
Liu Jifu	840,000	–	840,000	0.0230
Yang Xianzu	20,000	–	20,000	0.0005
Gordon Kwong Che Keung	20,000	50,000	70,000	0.0019

(d) Interest in share options granted by CITIC Pacific

Name of Director	**Underlying shares pursuant to share options**	**Percentage of issued share capital** *(%)*	**Exercise price per share** *(HK$)*	**Date of grant**	**Exercisable period**
Liu Jifu	500,000	0.0137	22.00	19.11.2009	19.11.2009–18.11.2014

(e) Interest in shares of Dah Chong Hong Holdings Limited

Name of Director	**Number of Shares** **Personal interests**	**Percentage of issued share capital** *(%)*
Yuen Kee Tong	20,000	0.0011
David Chan Tin Wai	5,279	0.0003

(f) Interest in shares of China CITIC Bank Corporation Limited

	Number of Shares		
Name of Director	Class of shares	Family interests	Percentage of issued share capital (%)
David Chan Tin Wai	H shares	3,000	0.00002

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company or any of their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

(ii) Substantial Shareholders' Interests and Short Position in Shares, Underlying Shares and Debentures

(a) Substantial shareholders of the Company

As at the Latest Practicable Date, so far as was known to any Director and chief executive of the Company, persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Number of Shares held	Number of Rights Shares to be taken up under the Irrevocable Undertakings	Total	Percentage to the issued share capital[4] (%)
CITIC Group Corporation	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
CITIC Limited	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
CITIC Investment (HK) Limited	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Silver Log Holdings Ltd.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48

Name	Number of Shares held	Number of Rights Shares to be taken up under the Irrevocable Undertakings	Total	Percentage to the issued share capital[4] (%)
CITIC Pacific	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Crown Base International Limited	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Effectual Holdings Corp.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
CITIC Pacific Communications Limited	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Douro Holdings Inc.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Ferretti Holdings Corp.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Ease Action Investments Corp.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Peganin Corp.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Richtone Enterprises Inc.	1,445,584,370[2]	542,094,138[3]	1,987,678,508	82.48
Matthews International Capital Management, LLC	167,726,000	–	167,726,000	6.96

Notes:

1. CITIC Group Corporation is the ultimate holding company of CITIC Limited, CITIC Investment (HK) Limited and Silver Log Holdings Ltd. CITIC Limited is the direct holding company of CITIC Investment (HK) Limited, which in turn holds Silver Log Holdings Ltd. CITIC Group Corporation is also the ultimate holding company of CITIC Pacific. CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp. Effectual Holdings Corp. in turn holds CITIC Pacific Communications Limited, which is then the direct holding company of Douro Holdings Inc. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp. and Peganin Corp. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp. and Peganin Corp. is the direct holding company of Richtone Enterprises Inc. Accordingly, the interests of CITIC Group Corporation in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

2. On 18 December 2012, Onway Assets Holdings Ltd., CITIC Investment (HK) Limited and CITIC Pacific entered into an agreement (the "**Sale and Purchase Agreement**") relating to the sale and purchase of shares in Silver Log Holdings Ltd. which holds 444,500,000 Shares and on 21 February 2013, Ease Action Investments Corp., Richtone Enterprises Inc. and Silver Log Holdings Ltd. entered into a management rights agreement (the "**Management Rights Agreement**") to regulate their relationship with each other in respect of their shareholdings in the Company. The Sale and Purchase Agreement and the Management Rights Agreement constitute agreements under section 317 of the SFO. For the purposes of the duty of disclosure, in the case of an agreement to which section 317 applies,

each party to the agreement is deemed to be interested in any shares comprised in the relevant share capital in which any other party to the agreement is interested apart from the agreement.

3. These include (a) an aggregate interest in 375,406,638 Rights Shares undertaken to be taken up by Ease Action Investments Corp. and Richtone Enterprises Inc. under the irrevocable undertaking with the Company and the Joint Underwriters dated 19 April 2013; and (b) an interest in 166,687,500 Rights Shares undertaken to be taken up by Silver Log Holdings Ltd. under the irrevocable undertaking with the Company and the Joint Underwriters dated 19 April 2013.

4. The percentage is based on the total number of Shares in issue as at the Latest Practicable Date (i.e. 2,409,928,870 Shares).

(b) Substantial shareholders of other members of the Enlarged Group

As at the Latest Practicable Date, so far as was known to any Director and the chief executive of the Company, persons (other than the Directors or chief executive of the Company) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group were as follows:

Name of member of the Enlarged Group	Name of substantial shareholder	Percentage of shareholding to the issued share capital *(%)*
Asia Pacific Internet Exchange Limited	HKIX Hong Kong Ltd.	25.00
VidaCom Group USA, Inc.	André Eduardo Godói Lourenço	14.00
	John S. Bolus	10.50
	Kathleen D. Bommer	10.50

Name of subsidiary established in the PRC without the concept of general meetings	Name of substantial shareholder	Percentage of shareholding to the registered capital *(%)*
中企網絡通信技術有限公司 (China Enterprise Communications Ltd.)*Note*	CITIC Group Corporation	45.09

Note: The company, being established in the PRC, has a different capital structure from, and do not have the same concept of shareholders' general meetings as, subsidiaries of the Company established in other jurisdictions.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, no person (other than the Directors or chief executive of the Company) had, or was deemed or taken to have an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group.

(iii) As at the Latest Practicable Date, Mr. Liu Jifu is an executive director of CITIC Pacific and Mr. Luo Ning is an assistant president of CITIC Limited, a subsidiary of CITIC Group Corporation. Saved as disclosed above, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(iv) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

(v) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

(vi) There will be no variation to the remuneration payable to and benefits in kind receivable by the Directors in consequence of the Acquisitions.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

To the best knowledge of the Directors after reasonable enquiries, as at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of CTM Group.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice on the information contained in this Prospectus:

Name	Qualification
KPMG	Certified Public Accountants

As at the Latest Practicable Date, KPMG had no interest in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and KPMG had no interest, either directly or indirectly, in any assets which have been, since 31 December 2012, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

KPMG has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and references to its name in the form and context in which it appears.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Enlarged Group within the two years immediately preceding the issue of this Prospectus and are material:

(i) a sale and purchase agreement dated 13 January 2013 between the Company (as purchaser) and Sable (as seller) in relation to the sale and purchase of a 51% interest in the share capital of CTM at a consideration of US$749.7 million subject to adjustments;

(ii) a sale and purchase agreement dated 13 January 2013 between the Company (as purchaser) and PT (as sellers) in relation to the sale and purchase of a 28% interest in the share capital of CTM at a consideration of US$411.6 million subject to adjustments;

(iii) a three-party agreement dated 13 January 2013 entered into between the Company, Sable and PT, to record, among other things, their respective consents and waivers to the Acquisitions subject to completion of the Acquisitions taking place together and that completion of the Sable Acquisition and the PT Acquisition are conditional upon each other;

(iv) a strategic alliance agreement dated 13 January 2013 entered into between the Company and Portugal Telecom, which sets out the terms and conditions for a three-year term strategic alliance between the parties after completion of the PT Acquisition for capitalising their respective expertises in certain areas of collaboration in the telecom sector by provision of certain telecom services to each other at competitive commercial rates from time to time and in the identification of ICT investment opportunities, and for selecting Portugal Telecom as the Group's strategic ICT service provider at a minimum annual fee of US$3.3 million and a minimum aggregate fee of US$10 million;

(v) the Irrevocable Undertakings; and

(vi) the Underwriting Agreement.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

10. EXPENSES

As at the Latest Practicable Date, the expenses of the Rights Issue (including professional fees and other related expenses) are estimated to be approximately HK$27.9 million, and will be borne by the Company.

11. GENERAL

(i) The registered office of the Company is situated at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

(ii) The head office and principal place of business in Hong Kong is situated at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong.

(iii) The principal registrar and transfer office of the Company is Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(iv) The company secretary of the Company is Ms. Tso Mun Wai, *ACIS*, *MA*.

(v) In the event of any inconsistency, the English text of this Prospectus shall prevail over the Chinese text thereof.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong during normal business hours on any weekdays other than public holidays up to and including 30 May 2013:

(a) the memorandum and new articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2011 and 31 December 2012;

(c) the accountant's report of CTM Group, the text of which is set out in Appendix II to the Circular;

(d) the report of KPMG on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix IV to this Prospectus;

(e) the written consent referred to in paragraph headed "Expert and Consent" of this Appendix V;

(f) the material contracts referred to in the paragraph headed "Material Contracts" of this Appendix V;

(g) the Circular; and

(h) this Prospectus.

13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Name	Residential or Business Address
Mr. Xin Yue Jiang	25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Mr. Yuen Kee Tong	25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Dr. Chan Tin Wai, David	25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Mr. Liu Jifu	32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

Name	Residential or Business Address
Mr. Luo Ning	1/F., Block B, Capital Mansion, 6# Xinyuannanlu, Beijing 100004, China
Mr. Yang Xianzu	2-401, 402, Building 4, No. 1, Cui Hua Street, Xicheng District, Beijing, China
Mr. Liu Li Qing	Room 301, Unit 2, Building 4, Guanyuan Apartments, 1 Cuihua Street, Xicheng District, Beijing, China
Mr. Kwong Che Keung, Gordon	House 2, Palm Cove Villas, 28 Ng Fai Tin, Hang Hau Wing Lung Road, Clearwater Bay, Kowloon, Hong Kong
Mr. Cheung Yuet Pun	25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Mr. Wong Ching Wa	25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong
Mr. Ho Wai Chung, Stephen	20/F., Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

The brief biographies of the Directors and senior management are set out below:

Directors

Executive Directors

#^**Mr. Xin Yue Jiang**, aged 65, has been appointed as the Chairman of the Company from 19 March 2009. He joined the Company in January 2008 as executive director and Vice Chairman of the Board. Mr. Xin graduated from China Naval Aeronautic Engineering Institute and Central University of Finance and Economics and obtained a Master degree in Economics and Management from the Graduate School of Chinese Academy of Social Sciences. After serving a substantial period of time in the government of the PRC in which Mr. Xin was involved in the administration of science, technology information and economics, Mr. Xin joined in succession various major conglomerates as senior management, researcher or chief engineer. When Mr. Xin was with China Netcom (Hong Kong) Operations Limited, he held the position of Senior Vice President and Senior Consultant. Mr. Xin had also participated in the planning, implementation and management of many different important state projects. Mr. Xin thus possesses extensive knowledge and experience in science and technology information, business operation and management, and capital market operation. Since 1985, Mr. Xin has joined many different overseas studies and visits, and gained many valuable experiences in promoting co-operation with overseas enterprises, technology exchange, product research and development, and product marketing. Mr. Xin has long been interested in the study and research of corporate governance and corporate culture, in particular the characteristics of Western economy and the corporate governance practices adopted by overseas enterprises, and has made significant achievement in that regard.

^**Mr. Yuen Kee Tong, J.P.**, aged 64, is the Chief Executive Officer of the Company. Mr. Yuen is a member of the Association of Chartered Certified Accountants of the United Kingdom and also a member of the Hong Kong Institute of Certified Public Accountants. He joined CITIC Pacific, the controlling shareholder of the Company, in 2001 as the Deputy Managing Director. Mr. Yuen resigned from the board of CITIC Pacific on 8 January 2007 and assumed the position of director and Chief Executive Officer of the Company on the same day. Mr. Yuen has more than 20 years extensive experience in all aspects of telecoms industry. Mr. Yuen was the Deputy Chief Executive of Hong Kong Telecommunications Limited and later, Pacific Century CyberWorks Limited. Mr. Yuen served many public bodies and advisory committees.

^**Dr. Chan Tin Wai, David**, aged 48, is the Chief Financial Officer of the Company and he joined the Company in June 2006. Dr. Chan obtained a LLB (Hons) degree and a Master degree of Law from the University of London in the United Kingdom, a Master degree of Accounting from Curtin University in Australia and a Doctor degree of Business Administration from the University of Newcastle in Australia. He is a member of the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries. Dr. Chan worked in CITIC Pacific during the period from 1994 to 2000. He had worked in several multi-national and Hong Kong blue chip companies and has over 20 years of experience in overseeing corporate finance, merger and acquisition activities, accounting, company secretarial, administration, human resources and legal matters. Before joining the Company, he was the General Manager – Finance of Sino Land Company Limited.

Non-executive Directors

□#**Mr. Liu Jifu**, aged 69, has been a director of the Company since November 2010. Mr. Liu is an executive director of CITIC Pacific, a director of CITIC Hong Kong (Holdings) Limited and CITIC International Financial Holdings Limited. He was with the Financial and Economics Research Institute in the Chinese Academy of Social Sciences, an executive director of China Everbright Group Limited, and the Chairman of China Everbright Travel Inc and China PINGHE Import & Export Co., Ltd.

Mr. Luo Ning, aged 54, has been a director of the Company since February 2013. Mr. Luo is currently an assistant president of CITIC Limited, a subsidiary of CITIC Group Corporation, a Vice Chairman of CITIC Guoan Group and the Chairman of CITIC Networks Co., Ltd. He is also a director of CITIC Guoan Information Industry Company Limited, a public company listed on the Shenzhen Stock Exchange in the PRC. He is also a Vice Chairman and executive director of CITIC 21CN Company Limited, an executive director of DVN (Holdings) Limited and a non-executive director of Asia Satellite Telecommunications Holdings Limited, all of which are listed on the Stock Exchange. He also holds directorships in several other subsidiaries of CITIC Group Corporation. Mr. Luo has extensive experience in telecommunication business and holds a bachelor degree in Communication Speciality from The Wuhan People's Liberation Army Institute of Communication Command (武漢解放軍通信指揮學院). Mr. Luo was also the non-executive director of Sino-i Technology Limited (a company listed on the Stock Exchange) until 16 May 2011.

Independent Non-executive Directors

*□#**Mr. Yang Xianzu**, aged 73, joined the Company as an independent non-executive director in March 2007. Mr. Yang, a senior engineer, graduated in 1965 from the Department of Telephone and Telegraph at the Wuhan College of Posts and Telecommunications. From 1990 to early 1999, Mr. Yang served as Vice Minister of the Ministry of Posts and Telecommunications and later as Vice Minister of the Ministry of Information Industry. In 1999, Mr. Yang was appointed Chairman of the Board of Directors and President of Unicom Group. During the period from 2000 to August 2003, Mr. Yang was the Chairman of the Board of Directors and Chief Executive Officer of China Unicom Limited, now known as China Unicom (Hong Kong) Limited. Mr. Yang is currently a member of Head of Strategic Development Consultation Committee of China Unicom, an independent non-executive director of Dongfeng Motor Group Company Limited, China Wireless Technologies Limited and Net263 Ltd. (listed on the Shenzhen Stock Exchange in the PRC).

*□#**Mr. Liu Li Qing**, aged 72, joined the Company as an independent non-executive director in March 2007. Mr. Liu, a senior economist, graduated from Management Engineering in Beijing University of Posts and Telecommunications in 1963. Mr. Liu served as a Vice Minister of Ministry of Posts and Telecommunications during the period from 1996 to 1998 and the Head of State Postal Bureau from March 1998 to April 2003. Mr. Liu is currently the Chairman of Sino-French Life Insurance Co., Ltd. Mr. Liu previously served as the Deputy Director of the Committee for Economic Affairs of the Tenth National Committee of the Chinese People's Political Consultative Conference as well as the Chairman of China Association of Communications Enterprises and now is the Honorary Chairman of China Association of Communications Enterprises.

*□#**Mr. Kwong Che Keung, Gordon**, aged 63, joined the Company as an independent non-executive director in March 2007. Mr. Kwong is an independent non-executive director of a number of companies listed on the Stock Exchange, including NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited and Chow Tai Fook Jewellery Group Limited. Mr. Kwong is also an independent supervisor of Beijing Capital International Airport Company Limited (listed on the Stock Exchange). Mr. Kwong previously served as an independent non-executive director of a number of companies listed on the Stock Exchange, including Beijing Capital International Airport Company Limited, China Oilfield Services Limited, COSCO International Holdings Limited, Frasers Property (China) Limited (now known as Gemdale Properties and Investment Corporation Limited), Tianjin Development Holdings Limited and Quam Limited. Mr. Kwong has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, he was a partner of Price Waterhouse and was a council member of the Stock Exchange from 1992 to 1997.

* Member of the Audit Committee
□ Member of the Remuneration Committee
\# Member of the Nomination Committee
^ Member of the Finance Committee

Senior Management

Mr. Cheung Yuet Pun, aged 40, is the Chief Technology Officer of the Company. He joined the Company in February 2002 and was responsible in areas such as product marketing, development and management within the organisation. Mr. Cheung obtained a Bachelor of Science degree of Electrical Engineering from Queen's University at Kingston, Canada in 1995 and also completed the Master of Science (MSc) in Financial Analysis and the Executive Diploma in Management at the Hong Kong University of Science and Technology in 2010 and 2006 respectively. From his professional certification aspect, he was granted the Professional Engineer Licence of Ontario, Canada in 1999. Mr. Cheung previously held various positions within Nortel Networks Corporation during 1996 to 2002, responsible for software design, technical support, and sales and marketing. To date, Mr. Cheung has about 17 years of operational experience in the telecoms industry.

Since 2012, he has been the President of Internet Service & Content Provider Group of Communications Association of Hong Kong (CAHK). He has also been appointed as the incu-Apps admission panel member for Hong Kong Science & Technology Parks Corporation (HKSTPC) to foster technology and innovation advancement in Hong Kong. He is also participating in the Steering Committee of i3 Forum, which comprised more than 47 telecommunications operators representing a combined retail base in excess of one billion customers in over 80 countries. Previously, he was a committee member of the Cyberport IncuTrain Centre Vetting Committee.

Mr. Wong Ching Wa, aged 38, is the President, head of China business of the Company. He joined the Company in January 2008 as director of Chinese business department and was responsible for China market and business development. Mr. Wong obtained a Bachelor degree of Telecom Engineering Management from Beijing Information Technology College in 1996 and a Master degree of Engineering Management from Sichuan University in 2002. Mr. Wong previously held management positions in different telecoms and technology companies in the PRC. Before joining the Company, he was the General Manager of operations management department of China Netcom (Hong Kong) Operations Limited. To date, Mr. Wong has more than 16 years experience in the telecoms industry.

Mr. Ho Wai Chung, Stephen, aged 54, is the Chief Executive Officer ("CEO") of CITIC Telecom International CPC Limited ("CPC"). He joined CITIC Pacific Communications Limited, a wholly-owned subsidiary of CITIC Pacific, as Executive Vice President in April 2001. Mr. Ho was appointed CEO of CPC in 2002 and President of 中企網絡通信技術有限公司 (China Enterprise Communications Ltd.) in 2010. He was transferred to the Group in 2007 when CPC was acquired by the Group. Mr. Ho holds an Honor Bachelor Degree in Electrical Engineering specialising in digital communications from McGill University of Canada. Prior to joining the CITIC Pacific Group, Mr. Ho held senior positions at Cable and Wireless Systems Limited, Hong Kong Telecom CSL Limited, Hong Kong Telecommunications Limited ("Hong Kong Telecom") and iAdvantage Limited. Mr. Ho carries with him more than 30 years of extensive industry experience. He was the project director for numerous important telecommunications projects on public transportation in both Hong Kong and Taiwan. His experience spans marketing and sales of telecommunications products and services, logistics and strategic purchasing management, operations and technical management for the Hong Kong Telecom engineering support unit at the Hong Kong Kai Tak International Airport and other Hong Kong Government facilities. Mr. Ho also led Hong Kong Telecom's regional market development in mainland China, Taiwan, Singapore, Korea and Japan in the early 90s. He is a founder of two Internet Data Centres between 1999 and 2001.

Mr. Ho has been named to several leaderships awards, including "The CEO of the Year 2007" by Asia Pacific Customer Service Consortium and "Outstanding Entrepreneurship Awards 2011 & 2012" by Enterprise Asia. Since 2012, he has been the Chairman of the Communications Association of Hong Kong (CAHK). He also serves as the Vice Chairman on the Board of Governors of the US Pacific Telecommunications Council (PTC) and as Vice Chairman of the Council's Finance and Audit Committee for 2012.

14. PARTIES INVOLVED IN THE RIGHTS ISSUE

Joint Underwriters	CITIC Securities Corporate Finance 26/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
	Standard Chartered 15/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
	DBS 17th Floor, The Center, 99 Queen's Road Central, Hong Kong
	Deutsche Bank Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
	UBS 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Legal adviser to the Company as to Hong Kong laws and US laws	Mayer Brown JSM 16th–19th Floors, Prince's Building, 10 Chater Road, Central, Hong Kong
Legal adviser to the Joint Underwriters as to Hong Kong laws and US laws	Linklaters 10th Floor, Alexandra House, Chater Road, Hong Kong
Auditors	KPMG 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

Registrar	Tricor Investor Services Limited 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong
Principal bankers	The Bank of Tokyo-Mitsubishi UFJ, Ltd. 8/F, AIA Central, 1 Connaught Road, Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road, Central, Hong Kong
Authorised representatives	Dr. Chan Tin Wai, David 25th Floor, CITIC Telecom Tower, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong Ms. Tso Mun Wai 32nd Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong

15. LEGAL EFFECT

The Rights Issue Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

16. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this Prospectus, together with copies of the PAL and the EAF and the written consent referred to in the paragraph headed "Expert and Consent" in this Appendix V have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 38D of the Companies Ordinance.